

COPY-

Application

Signature

Healthcare of

Nash. Rehab.

Wellness

CN1304-012



BRADLEY ARANT
BOULT CUMMINGS
LLP

2013 APR 15 PM 2 32

Michael D. Brent
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April 15, 2013

VIA hand delivery

Ms. Melanie M. Hill
Executive Director
Tennessee Health Services & Development Agency
161 Rosa Parks Boulevard
Nashville, Tennessee 37203

Re: LP Nashville II, LLC (Davidson County)

Dear Melanie:

As you and I have previously discussed, this firm has been retained to represent LP Nashville II, LLC d/b/a Signature Healthcare of Nashville Rehabilitation & Wellness Center, with respect to Certificate of Need CN1009-044A, which was previously granted for the replacement of 119 nursing home beds at 832 Wedgewood Avenue, Nashville, Tennessee 37203. Cost overruns at the facility have required the filing of a subsequent application, which you will find enclosed, along with a check for the filing fee.

As this facility is now complete, and the original application was unopposed, we would respectfully request that review of this application be considered for placement on the Consent Agenda.

If you have any questions or need anything further, please do not hesitate to contact me.

Very truly yours,

BRADLEY ARANT BOULT CUMMINGS LLP

Michael D. Brent

MDB

State of Tennessee
Health Services and Development Agency
Frost Building, 3rd Floor, 161 Rosa L. Parks Boulevard, Nashville, TN 37243
www.tn.gov/hsda Phone: 615-741-2364/Fax: 615-741-9884

**INSTRUCTIONS FOR FILING AN APPLICATION FOR
A CERTIFICATE OF NEED**

Please read the following instructions, the Rules and Regulations of the Agency, and Tennessee Code Annotated, §68-11-1601 et seq., prior to preparation of this application.

DOCUMENTATION: In preparing this application, it is the applicant's responsibility to demonstrate through its answers that the project is necessary to provide needed health care in the area to be served, that it can be economically accomplished and maintained, and that it will contribute to the orderly development of adequate and effective health care facilities and/or services in this area. Consult Tennessee Code Annotated, §68-11-1601 et seq., Health Services and Development Agency Rule 0720-4-.01, and the criteria and standards for certificate of need document Tennessee's Health: Guidelines for Growth, for the criteria for consideration for approval. Tennessee's Health: Guidelines for Growth is available from the Tennessee Health Services and Development Agency or from the Agency's website at www.tennessee.gov/HSDA. Picture of the Present is a document, which provides demographic, vital, and other statistics by county available from the Tennessee Department of Health, Bureau of Policy, Planning, and Assessment, Division of Health Statistics and can be accessed from the Department's website at www2.state.tn.us/health/statistics/HealthData/pubs title.htm.

Please note that all applications must be submitted in triplicate (1 original and 2 copies) on single-sided, unbound letter size (8 x 11 ½) paper, and not be stapled nor have holes punched. Cover letter should also be in triplicate. If not in compliance as requested, application may be returned or reviewing process delayed until corrected pages are submitted.

REVIEW CYCLES: A review cycle is no more than sixty (60) days. The review cycle begins on the first day of each month.

COMMUNICATIONS: All documents for filing an application for Certificate of Need with the Health Services and Development Agency must be received during normal business hours (8:00 a.m. - 4:30 p.m. Central Time) at the Agency office, located at The Frost Building, Third Floor, 161 Rosa L. Parks Boulevard, Nashville, TN 37243. For the purpose of filing Letters of Intent, application forms, and responses to supplemental information, the filing date is the actual date of receipt in the Agency office. These documents, as well as other required documents must be received as original, signed documents in the Agency office. Fax and e-mail transmissions will not be considered to be properly filed documentation. In the event that the last appropriate filing date falls on a Saturday, Sunday, or legal holiday, such filing should occur on the preceding business day. All documents are to be filed with the Agency in *single-sided and in triplicate*.

LETTER OF INTENT: Applications shall be commenced by the filing of a Letter of Intent. The Letter of Intent must be filed with the Agency between the first day and the tenth day of the month prior to the beginning of the review cycle in which the application is to be considered. This allowable filing period is inclusive of both the first day and the tenth day of the month involved. The Letter of Intent must be filed in the form and format as set forth in the application packet.

Any Letter of Intent that fails to include all information requested in the Letter of Intent form, or is not timely filed, will be deemed void, and the applicant will be notified in writing. The Letter of Intent may be refiled but, if refiled, is subject to the same requirements as set out above.

PUBLICATION OF INTENT: Simultaneously with the filing of the Letter of Intent, the Publication of Intent should be published for one day in a newspaper of general circulation in the proposed service area of the project. The Publication of Intent must be in the form and format as set forth in the application packet. The Publication of Intent should be placed in the Legal Section in a space no smaller than four (4) column inches. Publication must occur between the first day and the tenth day of the month, inclusive.

1. A “newspaper of general circulation” means a publication regularly issued at least as frequently as once a week, having a second-class mailing privilege, includes a Legal Notice Section, being not fewer than four (4) pages, published continuously during the immediately preceding one-year period, which is published for the dissemination of news of general interest, and is circulated generally in the county in which it is published and in which notice is given.
2. In any county where a “newspaper of general circulation” does not exist, the Agency’s Executive Director is authorized to determine the appropriate publication to receive any required Letter of Intent. A newspaper which is engaged in the distribution of news of interest to a particular interest group or other limited group of citizens, is not a “newspaper of general circulation.”
3. In the case of an application for or by a home care organization, the Letter of Intent must be published in each county in which the agency will be licensed or in a regional newspaper which qualifies as a newspaper of general circulation in each county. In those cases where the Publication of Intent is published in more than one newspaper, the earliest date of publication shall be the date of publication for the purpose of determining simultaneous review deadlines and filing the application.

PROOF OF PUBLICATION: Documentation of publication must be filed with the application form. Please submit proof of publication with the application by attaching either the full page of the newspaper in which the notice appeared, with the ***mast and dateline intact***, or a publication affidavit from the newspaper.

SIMULTANEOUS REVIEW: Those persons desiring a simultaneous review for a Certificate of Need for which a Letter of Intent has been filed should file a Letter of Intent with the Agency and the original applicant (as well as any other applicant filing a simultaneous review), and should publish the Letter of Intent simultaneously in a newspaper of general circulation in the

same county as the original applicant. The publication of the Letter of Intent by the applicant seeking simultaneous review must be published within ten (10) days after publication by the original applicant.

1. Only those applications filed in accordance with the rules of the Health Services and Development Agency, and upon consideration of the following factors as compared with the proposed project of the original applicant, may be regarded as applications filing for simultaneous review.
 - (A) Similarity of primary service area;
 - (B) Similarity of location;
 - (C) Similarity of facilities; and
 - (D) Similarity of service to be provided.
2. The Executive Director or his/her designee will determine whether applications are to be reviewed simultaneously, pursuant to Agency Rule 0720-3-.03(3).
3. If two (2) or more applications are requesting simultaneous review in accordance with the statute and rules and regulations of the Agency, and one or more of those applications is not deemed complete to enter the review cycle requested, the other applications(s) that is/are deemed complete shall enter the review cycle. The application(s) that is/are not deemed complete to enter the review cycle will not be considered as competing with the applications(s) deemed complete and entering the review cycle.

FILING THE APPLICATION: *All applications*, including applications requesting simultaneous review, must be filed in *triplicate* (original and two (2) copies) with the Agency within five (5) days after publication of the Letter of Intent. **The date of filing is the actual date of receipt at the Agency office.**

Applications should have all pages numbered.

All attachments should be attached to the back of the application, be identified by the applicable item number of the application, and placed in alpha-numeric order consistent with the application form. For example, an Option to Lease a building should be identified as Attachment A.6., and placed before Financial Statements which should be identified as Attachment C. Economic Feasibility.10. The last page of an application should be the completed affidavit.

Failure by the applicant to file an application within five (5) days after publication of the Letter of Intent shall render the Letter of Intent, and hence the application, **void**.

FILING FEE: The amount of the initial filing fee shall be an amount equal to \$2.25 per \$1,000 of the estimated project cost involved, but in no case shall the fee be less than \$3,000 or more than \$45,000. Checks should be made payable to the Health Services and Development Agency.

FILING FEES ARE NON-REFUNDABLE and must be received by the Agency before review of the application will begin.

REVIEW OF APPLICATIONS FOR COMPLETENESS: When the application is received at the Agency office, it will be reviewed for completeness. The application must be consistent with the information given in the Letter of Intent in terms of both project scope and project cost. ***Review for completeness will not begin prior to the receipt of the filing fee.***

1. If the application is deemed complete, the Agency will acknowledge receipt and notify the applicant as to when the review cycle will begin. "Deeming complete" means that all questions in the application have been answered and all appropriate documentation has been submitted in such a manner that the Health Services and Development Agency can understand the intent and supporting factors of the application. Deeming complete shall not be construed as validating the sufficiency of the information provided for the purposes of addressing the criteria under the applicable statutes, the Rules of the Health Services and Development Agency, or the standards set forth in the State Health Plan/Guidelines for Growth.
2. If the application is incomplete, requests by Agency staff for supplemental information must be completed by the applicant within sixty (60) days of the written request. Please note that supplemental information must be submitted timely for the application to be deemed complete prior to the beginning date of the review cycle which the applicant intends to enter, even if that time is less than the sixty (60) days which is allowed by the statute. If the requested information is submitted within sixty (60) days of the request, but not by the date specified in the staff's letter, the application is not void, but will enter the ***next*** review cycle. If an application is not deemed complete within sixty (60) days after the written notification is given by the Agency staff that the application is deemed incomplete, the application shall be deemed void. If the applicant decides to re-submit the application, the applicant shall comply with all procedures as set out by this part and a new filing fee shall accompany the refiled application.

Each supplemental question and its corresponding response shall be typed and submitted on a separate sheet of 8 1/2" x 11" paper, be filed in ***triplicate***, and include a signed affidavit. All requested supplemental information must be received by the Agency to allow staff sufficient time for review before the beginning of the review cycle in order to enter that review cycle.

3. Applications for a Certificate of Need, including competing applications, will not be considered unless filed with the Agency within such time as to assure such application is deemed complete.

All supplemental information shall be submitted simultaneously and only at the request of staff, with the only exception being letters of support and/or opposition.

The Agency will promptly forward a copy of each complete application to the Department of Health or the Department of Mental Health and Developmental Disabilities for review. The Department reviewing the application may contact the applicant to request additional information regarding the application. The applicant should respond to any reasonable request for additional information promptly.

AMENDMENTS OR CHANGES IN AN APPLICATION: An application for a Certificate of Need which has been deemed complete **CANNOT** be amended in a substantive way by the applicant during the review cycle. Clerical errors resulting in no substantive change may be corrected.

- * **WITHDRAWAL OF APPLICATIONS:** The applicant may withdraw an application at any time by providing written notification to the Agency.
- * **TIMETABLE FOR CERTIFICATE OF NEED EXPIRATION:** The Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; however, the Agency may extend a Certificate of Need for a reasonable period upon application and good cause shown, accompanied by a non-refundable filing fee, as prescribed by Rules. An extension cannot be issued to any applicant unless substantial progress has been demonstrated. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.
- * **For further information concerning the Certificate of Need process, please call the offices of the Health Services and Development Agency at 615/741-2364.**
- * **For information concerning the Joint Annual Reports of Hospitals, Nursing Homes, Home Care Organizations, or Ambulatory Surgical Treatment Centers, call the Tennessee Department of Health, Office of Health Statistics and Research at 615/741-1954**
- * **For information concerning Guidelines for Growth call the Health Services and Development Agency at 615/741-2364. For information concerning Picture of the Present call the Department of Health, Office of Health Statistics at 615/741-9395.**
- * **For information concerning mental health and developmental disabilities applications call the Tennessee Department of Mental Health and Developmental Disabilities, Office of Policy and Planning at 615/532-6500.**

1. **Name of Facility, Agency, or Institution**

LP Nashville II, LLC d/b/a Signature Healthcare of Nashville Rehabilitation & Wellness Center
Name
832 Wedgewood Avenue
Street or Route
Nashville
City
TN
State
Davidson
County
37203
Zip Code

2. **Contact Person Available for Responses to Questions**

Michael D. Brent
Name
Bradley Arant Boult Cummings LLP
Company Name
1600 Division Street, Suite 700
Street or Route
Outside Counsel
Association with Owner
Nashville
City
TN
State
37203
Zip Code
615-252-2361
Phone Number
615-252-6361
Fax Number
Attorney
Title
mbrent@babbc.com
Email address

3. **Owner of the Facility, Agency or Institution**

LP Nashville II, LLC
Name
12201 Bluegrass Parkway
Street or Route
Louisville
City
KY
State
(502) 568-7800
Phone Number
Jefferson
County
40299
Zip Code

4. **Type of Ownership of Control (Check One)**

A. Sole Proprietorship ☐
B. Partnership ☐
C. Limited Partnership ☐
D. Corporation (For Profit) ☐
E. Corporation (Not-for-Profit) ☐
F. Government (State of TN or Political Subdivision) ☐
G. Joint Venture ☐
H. Limited Liability Company ☒
I. Other (Specify)

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

5. **Name of Management/Operating Entity (If Applicable)**

LP Nashville II, LLC (Operating); Signature Clinical Consulting Services and Signature Consulting Services, LLC (Mgmt/Consulting)

Name

12201 Bluegrass Parkway

Street or Route

Jefferson

County

Louisville

City

KY

State

40299

Zip Code

**PUT ALL ATTACHMENTS AT THE END OF THE APPLICATION IN ORDER AND
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.**

6. **Legal Interest in the Site of the Institution (Check One)**

- | | | | |
|--|-------------------------------------|--------------------|--------------------------|
| A. Ownership | <input checked="" type="checkbox"/> | D. Option to Lease | <input type="checkbox"/> |
| B. Option to Purchase | <input type="checkbox"/> | E. Other (Specify) | <input type="checkbox"/> |
| C. Lease of <input type="text"/> Years | <input type="checkbox"/> | | |

**PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.**

7. **Type of Institution (Check as appropriate--more than one response may apply)**

- | | | | |
|--|--------------------------|---|-------------------------------------|
| A. Hospital (Specify) <input type="text"/> | <input type="checkbox"/> | I. Nursing Home | <input checked="" type="checkbox"/> |
| B. Ambulatory Surgical Treatment Center (ASTC), Multi-Specialty | <input type="checkbox"/> | J. Outpatient Diagnostic Center | <input type="checkbox"/> |
| C. ASTC, Single Specialty | <input type="checkbox"/> | K. Recuperation Center | <input type="checkbox"/> |
| D. Home Health Agency | <input type="checkbox"/> | L. Rehabilitation Facility | <input type="checkbox"/> |
| E. Hospice | <input type="checkbox"/> | M. Residential Hospice | <input type="checkbox"/> |
| F. Mental Health Hospital | <input type="checkbox"/> | N. Non-Residential Methadone Facility | <input type="checkbox"/> |
| G. Mental Health Residential Treatment Facility | <input type="checkbox"/> | O. Birthing Center | <input type="checkbox"/> |
| H. Mental Retardation Institutional Habilitation Facility (ICF/MR) | <input type="checkbox"/> | P. Other Outpatient Facility (Specify) <input type="text"/> | <input type="checkbox"/> |
| | | Q. Other (Specify) <input type="text"/> | <input type="checkbox"/> |

8. **Purpose of Review (Check) as appropriate--more than one response may apply)**

- | | | | |
|--|--------------------------|---|-------------------------------------|
| A. New Institution | <input type="checkbox"/> | G. Change in Bed Complement | |
| B. Replacement/Existing Facility | <input type="checkbox"/> | [Please note the type of change by underlining the appropriate response: Increase, Decrease, Designation, Distribution, Conversion, Relocation] | <input type="checkbox"/> |
| C. Modification/Existing Facility | <input type="checkbox"/> | | |
| D. Initiation of Health Care Service as defined in TCA § 68-11-1607(4) | <input type="checkbox"/> | H. Change of Location | <input type="checkbox"/> |
| (Specify) <input type="text"/> | <input type="checkbox"/> | I. Other (Specify) | <input checked="" type="checkbox"/> |
| E. Discontinuance of OB Services | <input type="checkbox"/> | | |
| F. Acquisition of Equipment | <input type="checkbox"/> | | |

Cost overrun from previously-granted CON (CN1009-004A)

9. **Bed Complement Data**

Please indicate current and proposed distribution and certification of facility beds.

	<u>Current Beds Licensed</u>	<u>*CON</u>	<u>Staffed Beds</u>	<u>Beds Proposed</u>	<u>TOTAL Beds at Completion</u>
A. Medical					
B. Surgical					
C. Long-Term Care Hospital					
D. Obstetrical					
E. ICU/CCU					
F. Neonatal					
G. Pediatric					
H. Adult Psychiatric					
I. Geriatric Psychiatric					
J. Child/Adolescent Psychiatric					
K. Rehabilitation					
L. Nursing Facility (non-Medicaid Certified)					
M. Nursing Facility Level 1 (Medicaid only)					
N. Nursing Facility Level 2 (Medicare only)					
O. Nursing Facility Level 2 (dually certified Medicaid/Medicare)	119		119	119	119
P. ICF/MR					
Q. Adult Chemical Dependency					
R. Child and Adolescent Chemical Dependency					
S. Swing Beds					
T. Mental Health Residential Treatment					
U. Residential Hospice					
TOTAL					119*

*CON-Beds approved but not yet in service * Note that because this CON application is due to a cost overrun, these 119 Nursing Facility Level 2 beds are already in service.

10.	Medicare Provider Number	Pending. Will be dually certified.
	Certification Type	Pending. Will be dually certified.
11.	Medicaid Provider Number	Pending. Will be dually certified.
	Certification Type	Pending. Will be dually certified.
12.	If this is a new facility, will certification be sought for Medicare and/or Medicaid? <input checked="" type="checkbox"/> Yes	
13.	<p><i>Identify all TennCare Managed Care Organizations/Behavioral Health Organizations (MCOs/BHOs) operating in the proposed service area. Will this project involve the treatment of TennCare participants?</i> <input checked="" type="checkbox"/> Yes <i>If the response to this item is yes, please identify all MCOs/BHOs with which the applicant has contracted or plans to contract.</i></p> <p><i>Discuss any out-of-network relationships in place with MCOs/BHOs in the area.</i></p>	

SECTION A:

APPLICANT PROFILE

Please enter all Section A responses on this form. All questions must be answered. If an item does not apply, please indicate "N/A". ***Attach appropriate documentation as an Appendix at the end of the application and reference the applicable Item Number on the attachment.***

For Section A, Item 1, Facility Name must be applicant facility's name and address must be the site of the proposed project.

RESPONSE: The applicant is LP Nashville II, LLC d/b/a Signature Healthcare of Nashville Rehabilitation & Wellness Center (the "Applicant"). The Applicant was previously granted a Certificate of Need (CN1009-044A) for the combined replacement of 119 beds to be located at 832 Wedgewood Avenue, Nashville, Tennessee 37203. The new facility, which was constructed pursuant to the granted CON, combined a replacement of the then-existing 61 bed Lakeshore Wedgewood facility, located at 832 Wedgewood Avenue, Nashville, Tennessee 37203 and the relocation and replacement of the then-existing 58 bed River Park Health Care facility, located at 1306 Katie Avenue, Nashville, Tennessee 37207, for a total of 119 beds.

For Section A, Item 3, Attach a copy of the partnership agreement, or corporate charter and certificate of corporate existence, if applicable, from the Tennessee Secretary of State.

RESPONSE: Please refer to Attachment A.3 of CN1009-044A, where you will find copies of the Articles of Incorporation and Certificate of Existence for LP Nashville II, LLC, the owner of the Applicant. This information has not changed since the filing and granting of CN1009-044A, and an updated Certificate of Existence for LP Nashville II, LLC from the Tennessee Secretary of State is attached as Attachment A.3.

For Section A, Item 4, Describe the existing or proposed ownership structure of the applicant, including an ownership structure organizational chart. Explain the corporate structure and the manner in which all entities of the ownership structure relate to the applicant. As applicable, identify the members of the ownership entity and each member's percentage of ownership, for those members with 5% or more ownership interest. In addition, please document the financial interest of the applicant, and the applicant's parent company/owner in any other health care institution as defined in Tennessee Code Annotated, §68-11-1602 in Tennessee. At a minimum, please provide the name, address, current status of licensure/certification, and percentage of ownership for each health care institution identified.

RESPONSE: As stated in the previous CON application (CN1009-044A), the Applicant is LP Nashville II, LLC d/b/a Signature Healthcare of Nashville Rehabilitation & Wellness Center, a Delaware limited liability company that is authorized to do business in the State of Tennessee. LP Nashville II, LLC is a subsidiary of Signature HealthCARE, LLC ("SHC"), a Delaware limited liability company. While there have been some modifications to the overall structure of SHC and its various affiliates since, the approval of CN1009-044A, there have been no material changes in the information presented at the time of the filing and granting of CN1009-044A.

For Section A, Item 5, For new facilities or existing facilities without a current management agreement, attach a copy of a draft management agreement that at least includes the anticipated scope of management services to be provided, the anticipated term of the agreement, and the anticipated management fee payment methodology and schedule. For facilities with existing management agreements, attach a copy of the fully executed final contract.

Please describe the management entity's experience in providing management services for the type of the facility, which is the same or similar to the applicant facility. Please describe the ownership structure of the management entity.

RESPONSE: SHC and various affiliated entities currently operate 73 communities in seven (7) states throughout the Eastern and Southeastern United States (a list of those communities and states can be found at <http://ltcrevolution.com>). SHC and its affiliated operating entities contract with other SHC entities for the provision of various services, and the Applicant has entered into contracts for some such services with Signature Clinical Consulting Services, LLC, Signature Consulting Services, LLC, and Signature Payroll Services, LLC.

For Section A, Item 6, For applicants or applicant's parent company/owner that currently own the building/land for the project location; attach a copy of the title/deed. For applicants or applicant's parent company/owner that currently lease the building/land for the project location, attach a copy of the fully executed lease agreement. For projects where the location of the project has not been secured, attach a fully executed document including Option to Purchase Agreement, Option to Lease Agreement, or other appropriate documentation. Option to Purchase Agreements must include anticipated purchase price. Lease/Option to Lease Agreements must include the actual/anticipated term of the agreement and actual/anticipated lease expense. The legal interests described herein must be valid on the date of the Agency's consideration of the certificate of need application.

RESPONSE: Please refer to Attachment A.6 of CN1009-044A for a copy of the Real Estate Purchase Agreement between Lakeshore Estate Incorporated and Signature Healthcare, LLC. This information has not materially changed since the filing and granting of CN1009-044A, although the financing structure of the Applicant did involve an assignment of that Real Estate Purchase Agreement to Health Care REIT, Inc. ("HCR," which serves as a master lessor for many SHC facilities) and the "sale-leaseback" of the project from HCR to the Applicant.

For Section A, Item 13, Identify all MCOs/BHOs with which the applicant has contracted or plans to contract.

RESPONSE: As stated in CN1009-044A, the two (2) managed care organizations with responsibility for long term care in the Applicant's service area are AmeriChoice (River Valley Plan) and Blue Cross Blue Shield of Tennessee (Volunteer State Health Plan). This information has not changed since the filing and granting of CN1009-044A.

The Applicant's sister facilities contract with various MCOs/BHOs in Tennessee. Please refer to the list at Response to Section A, Item 13 in CN1009-044A for a complete list of MCOs/BHOs with which the Applicant intends to contract. While this information has not materially changed since the filing and granting of CN1009-044A, there have been some changes in the marketplace,

and an updated list of MCOs/BHOs with which the Applicant is currently in discussion, or has agreed to contract with, is attached as Attachment A.13.

NOTE: Section B is intended to give the applicant an opportunity to describe the project and to discuss the need that the applicant sees for the project. **Section C** addresses how the project relates to the Certificate of Need criteria of Need, Economic Feasibility, and the Contribution to the Orderly Development of Health Care. **Discussions on how the application relates to the criteria should not take place in this section unless otherwise specified.**

SECTION B: PROJECT DESCRIPTION

Please answer all questions on 8 ½" x 11" white paper, clearly typed and spaced, identified correctly and in the correct sequence. In answering, please type the question and the response. All exhibits and tables must be attached to the end of the application in correct sequence identifying the questions(s) to which they refer. If a particular question does not apply to your project, indicate "Not Applicable (NA)" after that question.

- I. Provide a brief executive summary of the project not to exceed two pages. Topics to be included in the executive summary are a brief description of proposed services and equipment, ownership structure, service area, need, existing resources, project cost, funding, financial feasibility and staffing.

RESPONSE:

Description

LP Nashville II, LLC d/b/a Signature Healthcare of Nashville Rehabilitation & Wellness Center (the "Applicant"), a Delaware limited liability company, seeks approval from the Health Services Development Agency (HSDA) for a Certificate of Need incident to the cost overrun of \$4,009,562 for completion of its project under CN1009-044A (the "Cost Overrun"). The Applicant completed its HSDA-approved project as described in its application for CN1009-044A, which involved the combined replacement of the then existing sixty-one (61) bed Lakeshore Wedgewood facility (License No. 57) located at 832 Wedgewood Avenue, Nashville, TN 37203, and the relocation and replacement of the then existing fifty-eight (58) bed River Park Health Care facility (License No. 62) located at 1306 Katie Avenue, Nashville, TN 37207. This information has not changed since the filing and granting of CN1009-044A.

Ownership

As stated in CN1009-044A, the Applicant is the operator of the facility and an affiliate of Signature HealthCARE, LLC (SHC), based in Louisville, Kentucky. Signature Consulting Services, LLC and Signature Clinical Consulting Services, LLC provide management and consulting services to the facility. This information has not changed since the filing and granting of CN1009-044A.

As stated in CN1009-044A, SHC owns and operates skilled nursing facilities in multiple states, with twenty-two (22) locations in Tennessee at the time of filing the application for CN1009-044A, which number has now increased to twenty-five (25) locations in Tennessee (in addition to the Applicant's facility) . Please refer to Attachment B.I. of CN1009-044A for a complete listing of the Tennessee facilities. Except for the addition of the new facility under CN1009-

044A, and the other three (3) facilities, this information has not changed since the filing and granting of CN1009-044A.

Services, Building and Staffing

The facility was opened for public use on January 28, 2013. As stated in CN1009-044A, the Applicant provides long-term care services from the new facility, and will provide both Medicare-covered skilled nursing facility services and Medicaid nursing facility services for TennCare members in the service area (the application for the Medicare provider agreement has been filed (and was approved by the fiscal intermediary on March 20, 2013), and the Applicant anticipates receiving final Medicare approval in the near future; the application for the Medicaid provider agreement has not yet been filed, but the Applicant will finalize and file the Medicaid application as soon as the "tie-in notice" is received from Medicare). Affiliates of the Applicant also provide home and community based services (HCBS) and participate in the TennCare CHOICES program. This information has not materially changed since the filing and granting of CN1009-044A.

The new facility consists of approximately 73,000 square feet of new and renovated/rebuilt space. The as-built configuration of the facility includes fifty-five (55) private, single occupancy rooms with fifty-five (55) beds and thirty-two (32) double occupancy rooms with sixty-four (64) beds. This information has not materially changed since the filing and granting of CN1009-044A (although certain issues determined during the final design phase for the building, as discussed below, did result in the final building being more akin to a diamond shape than a rectangle shape).

As stated in CN1009-044A, the facility is organized and staffed to meet the needs of all patients, with a particular emphasis on providing the highly qualified staff needed to take care of residents with complex conditions and rehabilitation needs. This information has not changed since the filing and granting of CN1009-044A.

Project Cost, Funding and Feasibility

The proposed cost of the project under CN1009-044A was \$13,360,741 for the 119 bed replacement nursing home. As stated in the Final Project Report submitted by the Applicant, the final cost of CN1009-044A was \$17,370,303. Accordingly, there was a cost overrun of \$4,009,562. The resulting cost per square foot was \$238 or \$145,969 per bed. Please see the Applicant's Response to Question 1 under the Economic Feasibility Section below for a detailed accounting of the cost overrun.

The project was funded from the cash reserves of the Applicant as well as its affiliated entity, SHC. In addition, a portion of the Cost Overrun was funded by an increase in an existing loan with Health Care REIT, Inc. (HCR). The revised projected data charts included with the application demonstrate that, despite the Cost Overrun, the facility will still be financially feasible by the second year of operation with a positive net operating income after capital expenditures, as was projected in CN1009-044A. Also included within the application is an occupancy projection for the first two years of the facility.

Need and Community Benefits

The need for the project was demonstrated in CN1009-044A, which was approved by the HSDA. The implementation of CN1009-044A restored services that had been previously provided by the River Park Healthcare facility and Lakeshore Wedgewood facility and increased the number of available beds in Davidson County. Moreover, there remains increasing demand for post-acute services to provide the facility with a sufficient population with which to complete its projections of occupancy and operate the facility on a financially feasible basis.

II. Provide a detailed narrative of the project by addressing the following items as they relate to the proposal.

- A. Describe the construction, modification and/or renovation of the facility (exclusive of major medical equipment covered by T.C.A. § 68-11-1601 et seq.) including square footage, major operational areas, room configuration, etc. Applicants with hospital projects (construction cost in excess of \$5 million) and other facility projects (construction cost in excess of \$2 million) should complete the Square Footage and Cost per Square Footage Chart. Utilizing the attached Chart, applicants with hospital projects should complete Parts A.-E. by identifying as applicable nursing units, ancillary areas, and support areas affected by this project. Provide the location of the unit/service within the existing facility along with current square footage, where, if any, the unit/service will relocate temporarily during construction and renovation, and then the location of the unit/service with proposed square footage. The total cost per square foot should provide a breakout between new construction and renovation cost per square foot. Other facility projects need only complete Parts B.-E. Please also discuss and justify the cost per square foot for this project.

If the project involves none of the above, describe the development of the proposal.

RESPONSE:

As described above, the execution of CN1009-044A involved the combined replacement of the then-existing sixty-one (61) bed Lakeshore Wedgewood facility (License No. 57) located at 832 Wedgewood Avenue, Nashville, TN 37203, and the relocation and replacement of the then-existing fifty-eight (58) bed River Park Health Care facility (License No. 62) located at 1306 Katie Avenue, Nashville, TN 37207. The resulting new facility is a modernized, state of the art facility with an expansive therapy gym and numerous amenities. Please refer to the Applicant's Response to Question II.A. in CN1009-044A for a chart of the square footage and bed complement of the facility. Please also refer to the description of the design of the facility in the aforementioned response. This information has not materially changed since the filing and granting of CN1009-044A.

- B. Identify the number and type of beds increased, decreased, converted, relocated, designated, and/or redistributed by this application. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the existing services.

RESPONSE:

As stated in CN1009-044A, the project involved only the relocation of licensed nursing home beds, but did not increase or decrease the existing bed inventory in the service area of Davidson County. This information has not changed since the filing and granting of CN1009-044A.

C. As the applicant, describe your need to provide the following health care services (if applicable to this application):

1. Adult Psychiatric Services
2. Alcohol and Drug Treatment for Adolescents (exceeding 28 days)
3. Birthing Center
4. Burn Units
5. Cardiac Catheterization Services
6. Child and Adolescent Psychiatric Services
7. Extracorporeal Lithotripsy
8. Home Health Services
9. Hospice Services
10. Residential Hospice
11. ICF/MR Services
12. Long-term Care Services
13. Magnetic Resonance Imaging (MRI)
14. Mental Health Residential Treatment
15. Neonatal Intensive Care Unit
16. Non-Residential Methadone Treatment Centers
17. Open Heart Surgery
18. Positron Emission Tomography
19. Radiation Therapy/Linear Accelerator
20. Rehabilitation Services
21. Swing Beds

RESPONSE:

As stated in CN1009-044A, the project involved the combined replacement of the then-existing sixty-one (61) bed Lakeshore Wedgewood facility (License No. 57) located at 832 Wedgewood Avenue, Nashville, TN 37203, and the relocation and replacement of the then-existing fifty-eight (58) bed River Park Health Care facility (License No. 62) located at 1306 Katie Avenue, Nashville, TN 37207. The net result of the project was to restore needed long term care services to Davidson County. This information has not changed since the filing and granting of CN1009-044A.

D. Describe the need to change location or replace an existing facility.

RESPONSE:

As stated in CN1009-044A, the existing River Park Health Care facility location and physical plant were no longer suitable for a long term care facility due to the need for significant

structural upgrades, the fact that the location is now in an industrial area, and the flooding damage to the physical plant resulting from the May 2010 floods. Neither River Park Health Care nor Lakeshore Wedgewood was financially feasible independently, but combined, the newer, larger facility allows for increased operational efficiency and maximization of certain economies of scale. This information has not changed since the filing and granting of CN1009-044A.

E. Describe the acquisition of any item of major medical equipment (as defined by the Agency Rules and the Statute) which exceeds a cost of \$1.5 million; and/or is a magnetic resonance imaging (MRI) scanner, positron emission tomography (PET) scanner, extracorporeal lithotripter and/or linear accelerator by responding to the following:

1. For fixed-site major medical equipment (not replacing existing equipment):
 - a. Describe the new equipment, including:
 1. Total cost ;(As defined by Agency Rule).
 2. Expected useful life;
 3. List of clinical applications to be provided; and
 4. Documentation of FDA approval.
 - b. Provide current and proposed schedules of operations.
2. For mobile major medical equipment:
 - a. List all sites that will be served;
 - b. Provide current and/or proposed schedule of operations;
 - c. Provide the lease or contract cost.
 - d. Provide the fair market value of the equipment; and
 - e. List the owner for the equipment.
3. Indicate applicant's legal interest in equipment (*i.e.*, purchase, lease, etc.) In the case of equipment purchase include a quote and/or proposal from an equipment vendor, or in the case of an equipment lease provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments.

RESPONSE: Not applicable. The project does not involve the acquisition of any major medical equipment.

III. (A) Attach a copy of the plot plan of the site on an 8 1/2" x 11" sheet of white paper which must include:

1. Size of site (*in acres*);

2. Location of structure on the site; and
3. Location of the proposed construction.
4. Names of streets, roads or highway that cross or border the site.

Please note that the drawings do not need to be drawn to scale. Plot plans are required for all projects.

RESPONSE: A revised plot plan is attached as Attachment B.III.A., which is not materially different from the plot plan submitted with the filing of the application for CN1009-044A (although certain issues determined during the final design phase for the building, as discussed below, did result in the final building located on the site being more akin to a diamond shape than a rectangle shape).

- (B) Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.

RESPONSE: Please refer to the response to Item B.III.B. in CN 1009-044A for a description of the Applicant's relationship to public transportation routes and to any highway or major road development in the area. This information has not changed since the filing and granting of CN1009-044A.

- IV. Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. on an 8 1/2" x 11" sheet of white paper.

NOTE: **DO NOT SUBMIT BLUEPRINTS.** Simple line drawings should be submitted and need not be drawn to scale.

RESPONSE: Attached as Attachment B.IV. is a copy of the Applicant's final "as-built" floor plan. The floor plan has not materially changed since the filing and granting of CN1009-044A (although certain issues determined during the final design phase for the building, as discussed below, did result in the final building being more akin to a diamond shape than a rectangle shape). Also attached as Attachment B.IV. are photographs of the completed facility, and attached as Attachment B.IV. is the Tennessee Department of Health initial licensure survey of the facility, showing no deficiencies.

- V. For a Home Health Agency or Hospice, identify:

1. Existing service area by County;
2. Proposed service area by County;
3. A parent or primary service provider;
4. Existing branches; and

5. Proposed branches.

RESPONSE: Not applicable.

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED

In accordance with Tennessee Code Annotated § 68-11-1609(b), “no Certificate of Need shall be granted unless the action proposed in the application for such Certificate is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, and will contribute to the orderly development of health care.” The three (3) criteria are further defined in Agency Rule 0720-4-.01. Further standards for guidance are provided in the state health plan (Guidelines for Growth), developed pursuant to Tennessee Code Annotated §68-11-1625.

The following questions are listed according to the three (3) criteria: (I) Need, (II) Economic Feasibility, and (III) Contribution to the Orderly Development of Health Care. Please respond to each question and provide underlying assumptions, data sources, and methodologies when appropriate. *Please type each question and its response on an 8 1/2" x 11" white paper.* All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer. If a question does not apply to your project, indicate “Not Applicable (NA).”

QUESTIONS

NEED

1. Describe the relationship of this proposal toward the implementation of the State Health Plan and Tennessee’s Health: Guidelines for Growth.
 - a. Please provide a response to each criterion and standard in Certificate of Need Categories that are applicable to the proposed project. Do not provide responses to General Criteria and Standards (pages 6-9) here.

RESPONSE:

As stated in CN1009-044A, there is a demonstrated need for the nursing home beds provided by the Applicant. Please refer to the Applicant’s response to Question 1.a. in CN1009-044A for a complete nursing home bed certificate of need analysis. This information has not changed since the filing and granting of CN1009-044A.

- b. Applications that include a Change of Site for a health care institution, provide a response to General Criterion and Standards (4)(a-c)

RESPONSE: Not applicable.

2. Describe the relationship of this project to the applicant facility’s long-range development plans, if any.

RESPONSE:

As stated in CN1009-044A, LP Nashville II and its affiliate SHC engaged in a detailed market analysis in connection with the project. Please refer to the Applicant’s response to Question 2

under the Need Section in CN1009-044A for a description of SHC's long term development plan. This information has not changed since the filing and granting of CN1009-044A.

3. Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map including the State of Tennessee clearly marked to reflect the service area. **Please submit the map on 8 1/2" x 11" sheet of white paper marked only with ink detectable by a standard photocopier (i.e., no highlighters, pencils, etc.).**

RESPONSE:

As stated in CN1009-044A, the Applicant's service area is Davidson County and the Nashville Metropolitan area, which is consistent with the definition of service area in the Guidelines for Growth. Please refer to Attachment C, Need-3 in CN1009-044A for a service area map. This information has not changed since the filing and granting of CN1009-044A.

4. A. Describe the demographics of the population to be served by this proposal.

RESPONSE:

As stated in CN1009-044A, the demographics of the population served by the Applicant are those individuals aged 65 years and older and representing all payor sources, including Medicare, Medicaid, managed care, and private insurance payors. Please refer to the Applicant's response to Question 4.A. under the Need Section of CN1009-044A for a chart of growth projections of the Applicant's target demographic in Davidson County. Please also refer to Attachment C, Need-4 in CN1009-044A for additional demographic and need projection data. This information has not changed since the filing and granting of CN1009-044A.

- B. Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

RESPONSE:

As stated in CN1009-044A, the Applicant's facility is accessible to all consumers, including women, racial and ethnic minorities, and low-income groups. Please refer to the Applicant's response to Question 4.B. under the Need Section of CN1009-044A for a more detailed discussion of the special needs of the service area population. This information has not changed since the filing and granting of CN1009-044A.

5. Describe the existing or certified services, including approved but unimplemented CONs, of similar institutions in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. Be certain to list each institution and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: admissions or discharges, patient days, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc.

RESPONSE:

Please refer to the Applicant's response to Question 5 under the Need Section of CN1009-044A as to existing or certified services. To the knowledge of the Applicant, the only changes since the filing and granting of CN1009-044A have been the opening of two facilities which were under development at the time CN1009-044A was approved, and the approval of 30 additional beds at the facility known as "McKendree Village" pursuant to CN1202-010, which to the knowledge of Applicant are still under development..

6. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three (3) years and the projected annual utilization for each of the two (2) years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology **must include** detailed calculations or documentation from referral sources, and identification of all assumptions.

RESPONSE:

As stated in CN1009-044A, LP Nashville II d/b/a Signature Healthcare Rehabilitation & Wellness Center is a new facility and, as such, has no utilization or occupancy statistics for past years. Based on its knowledge of the Davidson County and Metropolitan Nashville markets, as an affiliate of existing nursing home operators in those markets, the Applicant projects occupancy to exceed 92% after an initial census build up period. More specifically, the Applicant estimates that it will have an occupancy rate of 61% at the end of Year One, 83.2% at the end of Year Two and 92.8% at the end of Year Three. The Applicant's current occupancy rate is approximately 2%, due to the recent opening of the facility, and the fact that the Applicant is still awaiting Medicaid and Medicare certification before admitting resident with Medicaid or Medicare as their payor source.

ECONOMIC FEASIBILITY

1. Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.
 - All projects should have a project cost of at least \$3,000 on Line F. (Minimum CON Filing Fee). CON filing fee should be calculated from Line D. (See Application Instructions for Filing Fee)
 - The cost of any lease (building, land, and/or equipment) should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater. Note: This applies to all equipment leases including by procedure or "per click" arrangements. The methodology used to determine the total lease cost for a "per click" arrangement must include, at a minimum, the projected procedures, the "per click" rate and the term of the lease.
 - The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation

or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.

- For projects that include new construction, modification, and/or renovation; **documentation must be** provided from a contractor and/or architect that support the estimated construction costs.

RESPONSE: Please see the Project Costs Chart attached as Attachment C, Economic Feasibility-1.1.

The proposed cost of the project under CN1009-044A was \$13,360,741 for the 119 bed replacement nursing home. As you are aware from the Final Project Report submitted by the Applicant, the final cost of CN109-044A was \$17,370,303. Accordingly, there was a cost overrun of \$4,009,562 (the "Cost Overrun"). The Cost Overrun was due to the following unanticipated issues:

- (a) **The Site.** The original engineering report on which the projected costs for CN1009-044A were based stated that the proposed site of the Applicant's facility was balanced. Once excavation began after CN1009-044A was granted, however, the Applicant discovered that there was a vast amount of rock under the proposed site. Such rock was unanticipated based on the original engineering report, but once discovered had to be blasted and removed, leaving an empty area that subsequently had to be filled with appropriate materials for stabilization and support purposes. This unexpected issue with the facility's site created additional expenses of approximately \$334,000. Moreover, the demolition of the existing buildings required grading and installation of storm pipes and other water control features, resulting in additional costs of approximately \$621,000.
- (b) **The Perry Building.** The second major source of the Cost Overrun came from the conditions surrounding what is known as the Perry Building. The Perry Building is the portion of the site's campus that the Applicant intended, at the time it filed and was granted CN1009-044A, to keep in place, while the remainder of the campus was to be demolished. As the Applicant began construction after the granting of CN1009-044A, it was discovered that the architect's drawings were inaccurate, meaning that the floor plan could not support the contemplated changes and improvements. Shortly thereafter, the Applicant was informed that Perry Building, which was previously used for assisted living residents, could not be "grandfathered in." Thus, the forty year old Perry Building would have to be updated to meet current-day building codes.

As upgrades were made to the Perry Building and it was closely examined, the Applicant became aware that extensive construction to the Perry Building would be needed to make it a safe and habitable place for nursing facility living residents. For example, the roof, roof decking, windows, walls, ceilings, lighting, elevator, generator, parking lot elevation and bathrooms all required repair or replacement. Moreover, there were additional electrical, HVAC and plumbing changes need to make the Perry Building fully operational and "up to code." These changes were not

simply aesthetics issues, but resident safety issues. The renovations required for the Perry Building added significant time and expense to the project. While only approximately \$500,000 was set aside under CN1009-044A for the Perry Building renovations, the actual cost of these renovations approximated \$2,600,000 (\$91 per square foot), and a negative variance of \$2,100,000, which the Applicant certainly did not anticipate at the CN1009-044A was filed and approved.

- (c) **The New Building.** As approved under CN1009-044A, the Applicant began construction of a new building at the site shortly after the Certificate of Need was granted (the "New Building"). Partly because of the previously-discussed unanticipated site modifications that had to be made, the Applicant's proposed construction costs for the New Building proved inadequate. For example, the steel, framing, HVAC, electrical, and sprinkler systems installment were all more expensive than originally projected. In addition, the field modifications resulted in change orders and delays which increased the costs of the project. In CN1009-044A, the Applicant projected a budget of approximately \$118 per square foot. However, the final cost of the New Building approximated \$157 per square foot, resulting in a \$1,600,000 negative cost variance (or, \$1,100,000 after applying the Contingency Fund amount). The Applicant notes, however, that this cost per square foot is still lower than the State of Tennessee's published New Construction Costs for Nursing Homes with approved CON Applications for the years 2009-2011, which proffers that the median cost is \$167.31 per square foot.

2. Identify the Funding Source for this Project.

Please check the applicable item(s) below and briefly summarize how the project will be financed. (*Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment C, Economic Feasibility-2.*)

- ☐ A Commercial loan--Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;
- ☐ B Tax-exempt bonds--Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;
- ☐ C General obligation bonds—Copy of resolution from issuing authority or minutes from the appropriate meeting.
- ☐ D Grants--Notification of intent form for grant application or notice of grant award; or
- ☒ E Cash Reserves--Appropriate documentation from Chief Financial Officer.
- ☒ F Other—Identify and document funding from all other sources.

RESPONSE: The Cost Overrun was funded from two different sources. First, the Cost Overrun was partially funded from cash reserves of the Applicant and its affiliate, SHC. Verification of the Applicant's financial position as documented by the Chief Financial Officer of SHC is included at Attachment C, Economic Feasibility-2. Second, the Cost Overrun was partially funded by Health Care REIT, Inc. (HCR) when the Applicant increased the Maximum Contingent Payment Amount on its loan under the master lease from \$13,900,000 to \$15,300,000.

3. Discuss and document the reasonableness of the proposed project costs. If applicable, compare the cost per square foot of construction to similar projects recently approved by the Health Services and Development Agency.

RESPONSE: The proposed cost of the project under CN1009-044A was \$13,360,741 for the 119 bed replacement nursing home. As stated in the Final Project Report submitted by the Applicant, the final cost of CN109-044A was \$17,370,303. Accordingly, there was a cost overrun of \$4,009,562. The Cost Overrun was due to the unanticipated issues discussed previously at Economic Feasibility, Item 1. The Applicant feels that the Cost Overrun, while a substantial amount, is reasonable when viewed in light of the extensive issues that were discovered once the Applicant began construction at the site.

While the final cost of the New Building approximated \$157 per square foot, resulting in a \$1,600,000 negative cost variance (or, \$1,100,000 after applying the Contingency Fund amount), the Applicant notes that this cost per square foot is still lower than the State of Tennessee's published New Construction Costs for Nursing Homes with approved CON Applications for the years 2009-2011, which proffers that the median cost is \$167.31 per square foot. Please see Attachment C, Economic Feasibility-3 for a chart comparing the cost of the Applicant's project to that of previously-approved CONs.

4. Complete Historical and Projected Data Charts on the following two pages--**Do not modify the Charts provided or submit Chart substitutions!** Historical Data Chart represents revenue and expense information for the last *three* (3) years for which complete data is available for the institution. Projected Data Chart requests information for the two (2) years following the completion of this proposal. Projected Data Chart should reflect revenue and expense projections for the ***Proposal Only*** (i.e., if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility).

RESPONSE: While the Historical and Projected Data Charts submitted with CN1009-044A have not materially changed since the filing and granting of CN1009-044A, an updated Projected Data Chart is attached as Attachment C, Economic Feasibility-4.

5. Please identify the project's average gross charge, average deduction from operating revenue, and average net charge.

RESPONSE: Please refer to the response provided in CN1009-044A at Economic Feasibility, Question 5. While this information has not materially changed since the filing and granting of

CN1009-044A, an updated chart showing the project's average gross charge is attached as Attachment C, Economic Feasibility-5.

6. A. Please provide the current and proposed charge schedules for the proposal. Discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the proposed project and the impact on existing patient charges.

RESPONSE: PLEASE REFER TO THE RESPONSE PROVIDED IN CN1009-044A AT ECONOMIC FEASIBILITY, QUESTION 6.A. There has been no change to this information since the filing and approval of CN 1009-044A.

- B. Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

RESPONSE: Please refer to the response provided in CN1009-044A at Economic Feasibility, Question 6.B. Please also refer to Attachment C, Economic Feasibility-6.B. of CN1009-044A for a chart of estimated rates of other facilities in Davidson County. This relative information has not materially changed since the filing and granting of CN1009-044A. Please note that the current 2013 patient charge rates for the facility are comparable to similar facilities in Davidson County.

7. Discuss how projected utilization rates will be sufficient to maintain cost-effectiveness.

RESPONSE: The Applicant conducted a detailed market analysis and pro-forma analysis to assure the financial viability of the project despite the Cost Overrun. Even with the Cost Overrun, the facility will have a positive cash flow by the second year of operation. Please note that the Applicant's projected fill rate is conservative as compared to other HSDA-approved projects

8. Discuss how financial viability will be ensured within two years; and demonstrate the availability of sufficient cash flow until financial viability is achieved.

RESPONSE: The Applicant conducted a detailed market analysis and pro-forma analysis to assure the financial viability of the project despite the Cost Overrun. Even with the Cost Overrun, the facility will have a positive cash flow by the second year of operation. Please note that the Applicant's projected fill rate is conservative as compared to other HSDA-approved projects.

9. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid, and medically indigent patients will be served by the project. In addition, report the estimated dollar amount of revenue and percentage of total project revenue anticipated from each of TennCare, Medicare, or other state and federal sources for the proposal's first year of operation.

RESPONSE: As stated in CN1009-044A, the Applicant will participate in both the TennCare/Medicaid and Medicare programs. Please refer to the response provided in CN1009-044A at Economic Feasibility, Question 9. This information has not changed since the filing and granting of CN1009-044A.

10. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For new projects, provide financial information for the corporation, partnership, or principal parties involved with the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as Attachment C, Economic Feasibility-10.

RESPONSE: As stated in CN1009-044A, the Applicant was at that time a newly formed entity, created for the single purpose of developing and operating this facility. Since the facility has only recently commenced operations, it does not yet have a balance sheet or income statement completed. Please refer to the response provided in CN1009-044A at Economic Feasibility, Question 10. While this information has not materially changed since the filing and granting of CN1009-044A, please also see the attached updated letter from SHC's Chief Financial Officer at Attachment C, Economic Feasibility-2.

11. Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:
 - a. A discussion regarding the availability of less costly, more effective, and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, the applicant should justify why not; including reasons as to why they were rejected.

RESPONSE: As stated in CN1009-044A, the Applicant and SHC engaged in extensive market analysis and a feasibility study prior to applying for a certificate of need. Please refer to the response provided in CN1009-044A at Economic Feasibility, Question 11.a. This information has not changed since the filing and granting of CN1009-044A.

- b. The applicant should document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements. It should be documented that superior alternatives have been implemented to the maximum extent practicable.

RESPONSE: As stated in CN1009-044A, the Applicant and SHC engaged in extensive market analysis and a feasibility study prior to applying for a certificate of need. Please refer to the response provided in CN1009-044A at Economic Feasibility, Question 11.b. This information has not changed since the filing and granting of CN1009-044A.

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

1. List all existing health care providers (e.g., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which

the applicant currently has or plans to have contractual and/or working relationships, e.g., transfer agreements, contractual agreements for health services.

RESPONSE: Attached as Attachment C, Contribution to the Orderly Development of Health Care – Question 1 is information as to the hospitals, nursing homes, and other organizations with which the Applicant has contractual and/or working relationships, for transfer agreements, health services, and so forth. Other similar contracts are still under negotiation by the Applicant.

2. Describe the positive and/or negative effects of the proposal on the health care system. Please be sure to discuss any instances of duplication or competition arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.

RESPONSE: As stated in CN1009-044A, the new facility is enhancing long term care and the delivery of those services within Davidson County and the Middle Tennessee area. Please refer to the response provided in CN1009-044A at Contribution to the Orderly Development of Health Care, Question 2. Please also refer to Attachment C, Contribution to Orderly Development-2 in CN1009-044A for a map of nearby facilities. This information has not changed since the filing and granting of CN1009-044A.

3. Provide the current and/or anticipated staffing pattern for all employees providing patient care for the project. This can be reported using FTEs for these positions. Additionally, please compare the clinical staff salaries in the proposal to prevailing wage patterns in the service area as published by the Tennessee Department of Labor & Workforce Development and/or other documented sources.

RESPONSE: Attached as Attachment C, Contribution to the Orderly Development of Health Care – Question 3 is an updated list of employee positions and pay rates.

4. Discuss the availability of and accessibility to human resources required by the proposal, including adequate professional staff, as per the Department of Health, the Department of Mental Health and Developmental Disabilities, and/or the Division of Mental Retardation Services licensing requirements.

RESPONSE: As stated in CN1009-044A, the Applicant and SHC reviewed the Nashville labor market and evaluated the availability of staff for the project, concluding favorably that the market has the resources to support the facility. Please refer to the response provided in CN1009-044A at Contribution to the Orderly Development of Health Care, Question 4. Please also refer to Attachment C, Contribution to Orderly Development of Health Care-4.1, 4.2, and 4.3 in CN1009-044A. This information has not changed since the filing and granting of CN1009-044A.

5. Verify that the applicant has reviewed and understands all licensing certification as required by the State of Tennessee for medical/clinical staff. These include, without limitation, regulations concerning physician supervision, credentialing, admission privileges, quality assurance policies and programs, utilization review policies and programs, record keeping, and staff education.

RESPONSE: The Applicant so verifies.

6. Discuss your health care institution's participation in the training of students in the areas of medicine, nursing, social work, etc. (e.g., internships, residencies, etc.).

RESPONSE: As stated in CN1009-044A, the facility's location was selected specifically because of its proximity to three prominent universities (Vanderbilt, Belmont, and Lipscomb) that are leaders in research, education, and training in health care. Please refer to the response provided in CN1009-044A at Contribution to the Orderly Development of Health Care, Question 6. This information has not changed since the filing and granting of CN1009-044A, and discussions with Vanderbilt Medical Center about the coordination of educational training and cooperation with the Vanderbilt School of Nursing are currently underway.

7. (a) Please verify, as applicable, that the applicant has reviewed and understands the licensure requirements of the Department of Health, the Department of Mental Health and Developmental Disabilities, the Division of Mental Retardation Services, and/or any applicable Medicare requirements.

RESPONSE: The Applicant so verifies, and would note that the new license for the facility issued by the Tennessee Department of Health is attached at Attachment C, Contribution to the Orderly Development of Health Care - Question 7.C.

- (b) Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.

RESPONSE:

Licensure: Tennessee Department of Health, Board for Licensing Healthcare Facilities, Nursing Home License 394.

Accreditation: Certification from the Centers for Medicare and Medicaid Services (CMS) as a Medicare skilled nursing facility and Certification from CMS and TennCare as a Medicaid nursing facility.

- (c) If an existing institution, please describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility.

RESPONSE: LP Nashville II currently holds a nursing home license issued by the Tennessee Department of Health, Board for Licensing Healthcare Facilities (Nursing Home License 394), a copy of which is attached to the application at Attachment C, Orderly Development 7.C.

- (d) For existing licensed providers, document that all deficiencies (if any) cited in the last licensure certification and inspection have been addressed through an approved plan of correction. Please include a copy of the most recent licensure/certification inspection with an approved plan of correction.

RESPONSE: Not applicable.

8. Document and explain any final orders or judgments entered in any state or country by a licensing agency or court against professional licenses held by the applicant or any entities or persons with more than a 5% ownership interest in the applicant. Such information is to be provided for licenses regardless of whether such license is currently held.

RESPONSE: Not applicable.

9. Identify and explain any final civil or criminal judgments for fraud or theft against any person or entity with more than a 5% ownership interest in the project

RESPONSE: Not applicable.

10. If the proposal is approved, please discuss whether the applicant will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.

RESPONSE: The Applicant will provide the HSDA, and any other state agency when required, with information concerning the number of patients treated, the number and type of procedures performed, and other data as required or requested. The Applicant will also provide all information requested by applicable regulations for licensed nursing homes, including information provided through the yearly Joint Annual Report for Nursing Homes to the Tennessee Department of Health.

PROOF OF PUBLICATION

Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper as proof of the publication of the letter of intent.

RESPONSE: A copy of the published notice of intent is attached as Attachment C, General Criteria for Certificate of Need – Proof of Publication.

DEVELOPMENT SCHEDULE

Tennessee Code Annotated § 68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.

1. Please complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.
2. If the response to the preceding question *indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph*, please state below any request for an extended schedule and document the “good cause” for such an extension.

Form HF0004

Revised 02/01/06

Previous Forms are obsolete

PROJECT COMPLETION FORECAST CHART

Enter the Agency projected Initial Decision date, as published in T.C.A. § 68-11-1609(c): The Applicant has requested that review of this application be placed on the Consent Agenda. If this request is approved, the projected Initial Decision date will be June 26, 2013. If this request is not approved, then the projected Initial Decision date will be July 24, 2013.

Assuming the CON approval becomes the final agency action on that date, indicate the number of days from the above agency decision date to each phase of the completion forecast.

RESPONSE: The Project is complete, and this Application is filed for purposed of seeking approval of the Cost Overrun.

Applicant Profile Section

Attachment A.3

Updated Certificate of Existence



STATE OF TENNESSEE
Tre Hargett, Secretary of State
Division of Business Services
William R. Snodgrass Tower
312 Rosa L. Parks AVE, 6th FL
Nashville, TN 37243-1102

BRADLEY ARANT BOULT CUMMINGS LLP
1600 DIVISION STREET, SUITE 700
NASHVILLE, TN 37203

April 12, 2013

Request Type: Certificate of Existence/Authorization
Request #: 0094473

Issuance Date: 04/12/2013
Copies Requested: 1

Document Receipt

Receipt #: 1029492 Filing Fee: \$22.25
Payment-Credit Card - TennesseeAnytime Online Payment #: 149834022 \$22.25

Regarding: LP NASHVILLE II, LLC
Filing Type: Limited Liability Company - Foreign
Formation/Qualification Date: 06/10/2010
Status: Active
Duration Term: Perpetual

Control #: 633253
Date Formed: 06/07/2010
Formation Locale: DELAWARE
Inactive Date:

CERTIFICATE OF AUTHORIZATION

I, Tre Hargett, Secretary of State of the State of Tennessee, do hereby certify that effective as of the issuance date noted above

LP NASHVILLE II, LLC

- * is a Limited Liability Company formed in the jurisdiction set forth above and is authorized to transact business in this State;
- * has paid all fees, taxes and penalties owed to this State (as reflected in the records of the Secretary of State and the Department of Revenue) which affect the existence/authorization of the business;
- * has filed the most recent corporation annual report required with this office;
- * has appointed a registered agent and registered office in this State;
- * has not filed an Application for Certificate of Withdrawal.


Tre Hargett
Secretary of State

Processed By: Cert Web User

Verification #: 002843019

Applicant Profile Section

Attachment A.13

Updated List of MCOs/BHOs

Updated List of MCOs/BHOs

1. Aetna TN
2. Amerigroup TN
3. Anci-Care Ancillary Care Solutions
4. Blue Cross Blue Shield of TN
5. Beech Street
6. Bluegrass Family Health
7. VA Health Administration Center
8. Cigna
9. Coventry/First Health
10. Evolutions H.C. Systems, Inc.
11. Fedmed, Inc.
12. Health Spring
13. Humana
14. NovaNet PPO
15. Perdue Farms
16. Plan Vista Solutions
17. Prime Health Services
18. Pyramid Life, Today's Options, Universal American
19. Sterling Health Plans
20. Three Rivers Provider Network
21. Tricare Health Net
22. United Healthcare TN
23. UMWA Health & Retirement Funds
24. UMR Part of United Healthcare
25. Universal Healthcare
26. Windsor Health Plan TN

Project Description

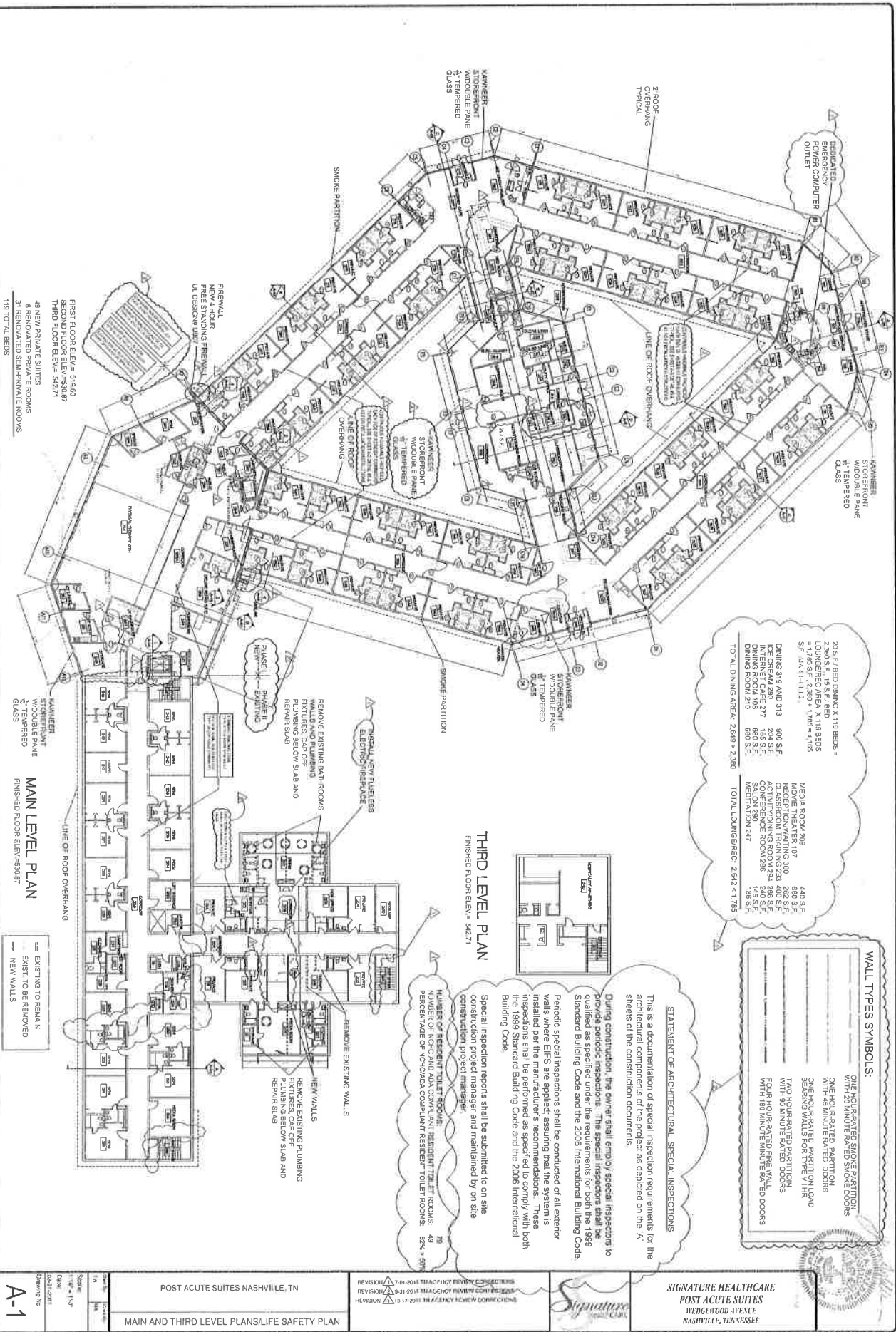
Attachment B.III.

Updated Map of Site

Project Description

Attachment B.IV.

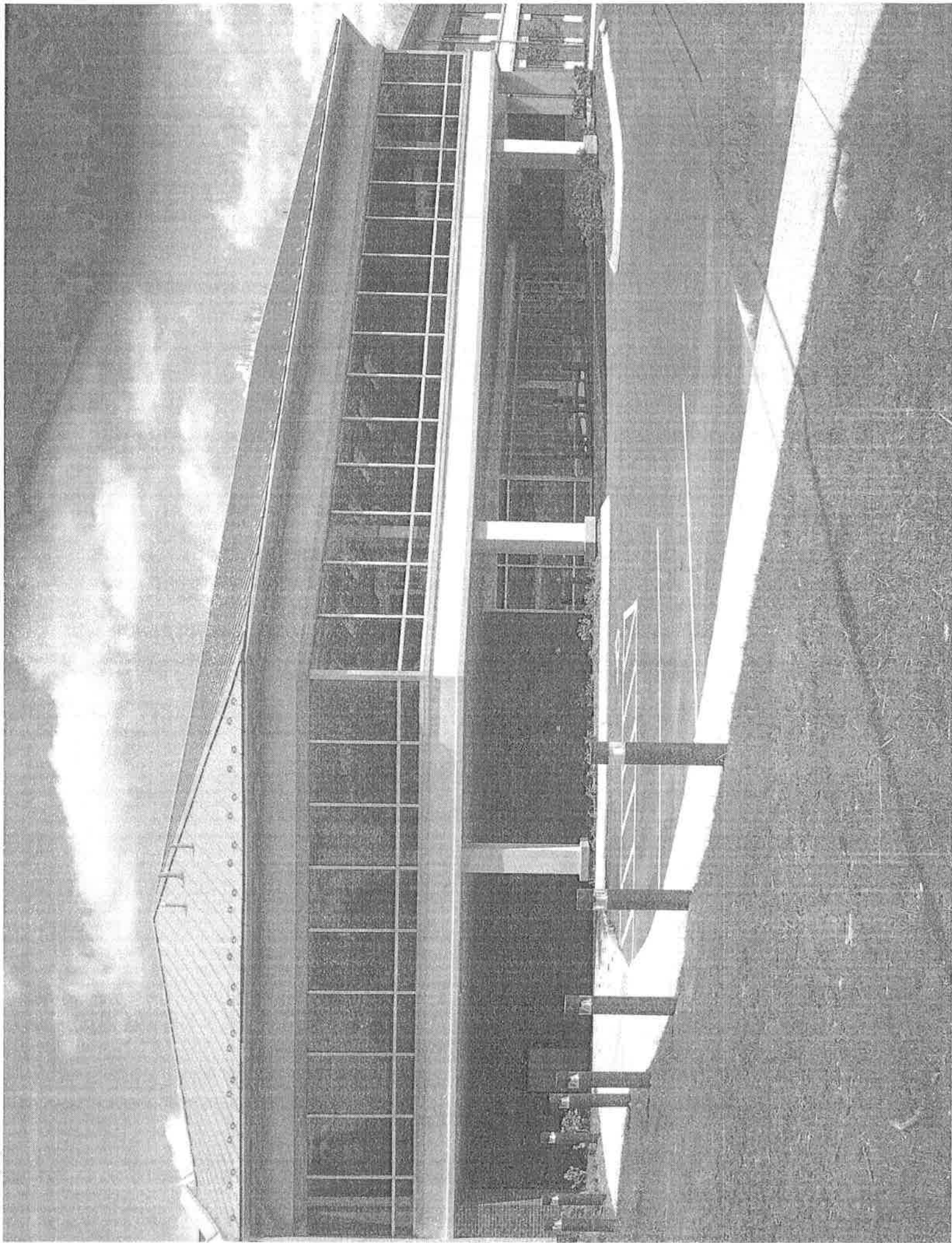
Floor Plan of Facility, Photographs of Completed Facility, and Tennessee
Department of Health Licensure Survey





Signature
HealthCARE

of Nashville
Rehabilitation & Wellness Center
832 Wedgewood Ave.











State of Tennessee
Department of Health
DIVISION OF HEALTH CARE FACILITIES
WEST TENNESSEE REGIONAL OFFICE
2975 Highway 45 Bypass, Suite C
Jackson, Tennessee 38305
Telephone: (731) 984-9684
Fax: (731) 512-0063

January 17, 2013

Mr. Dwight Osteen, Administrator
LP Nashville II, LLC
832 Wedgewood Avenue
Nashville, TN 37203

RE: Initial Licensure Survey

Dear Mr. Osteen:

West Tennessee Regional Office of Health Care Facilities conducted an initial licensure survey at your facility on January 16-17, 2013. We are pleased to advise you that no deficiencies were cited on the initial survey. A copy of the survey (form 2567) is enclosed for your records.

If we may be of any assistance to you, please do not hesitate to contact us.

Sincerely,

Jan Priddy, RN
Public Health Nurse Consultant II

JP/rm
rm
Enclosure

Division of Health Care Facilities

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER: TNL1938	(X2) MULTIPLE CONSTRUCTION A. BUILDING _____ B. WING _____		(X3) DATE SURVEY COMPLETED 01/16/2013
NAME OF PROVIDER OR SUPPLIER LP NASHVILLE II, LLC			STREET ADDRESS, CITY, STATE, ZIP CODE 832 WEDGEWOOD AVENUE NASHVILLE, TN 37203		
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETE DATE	
N 002	1200-8-6 No Deficiencies This Rule is not met as evidenced by: During an initial licensure survey on 1/17/2013, this facility was found to be in compliance with the state licensure regulations.	N 002			

Division of Health Care Facilities

TITLE

(X6) DATE

RATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE

STATE FORM

8899

DI9Z11

If continuation sheet 1 of 1

Division of Health Care Facilities

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER: TNL1938	(X2) MULTIPLE CONSTRUCTION A. BUILDING 01 - EXISTING BUILDING B. WING _____	(X3) DATE SURVEY COMPLETED 01/16/2013
NAME OF PROVIDER OR SUPPLIER LP NASHVILLE II, LLC		STREET ADDRESS, CITY, STATE, ZIP CODE 832 WEDGEWOOD AVENUE NASHVILLE, TN 37203		
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETE DATE
N 002	<p>1200-8-6 No Deficiencies</p> <p>This Rule is not met as evidenced by:</p> <p>Based on observations, testing, and records review on 1/15/13, it was determined the facility had no life safety deficiencies.</p>	N 002		

Division of Health Care Facilities

TITLE

(X6) DATE

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE

IT FORM

6899

DI9Z21

If continuation sheet 1 of 1

Division of Health Care Facilities

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER: TNL1938	(X2) MULTIPLE CONSTRUCTION A. BUILDING 02 - NEW BUILDING B. WING _____		(X3) DATE SURVEY COMPLETED 01/16/2013
NAME OF PROVIDER OR SUPPLIER LP NASHVILLE II, LLC			STREET ADDRESS, CITY, STATE, ZIP CODE 832 WEDGEWOOD AVENUE NASHVILLE, TN 37203		
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETE DATE	
N 002	<p>1200-8-6 No Deficiencies</p> <p>This Rule is not met as evidenced by:</p> <p>-</p> <p>-</p> <p>Based on observations, testing, and records review on 1/15/13, it was determined the facility had no life safety deficiencies.</p>	N 002			

Division of Health Care Facilities

TITLE

(X6) DATE

L RATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE

State FORM

6899

D19Z21

If continuation sheet 1 of 1

Attachment C: General Criteria for Certificate of Need

Economic Feasibility – Question 1.1

Project Costs Chart

PROJECT COSTS CHART

2013 APR 15 PM 2:33

A. Construction and equipment acquired by purchase:	
1. Architectural and Engineering Fees	472,763
2. Legal, Administrative (Excluding CON Filing Fee), Consultant Fees	223,876
3. Acquisition of Site	3,563,258
4. Preparation of Site	1,064,993
5. Construction Costs	9,033,154
6. Contingency Fund	0
7. Fixed Equipment (Not included in Construction Contract)	429,160
8. Moveable Equipment (List all equipment over \$50,000)	647,394
9. Other (Specify) 3rd parties, taxes, permits, HUD	182,417
B. Acquisition by gift, donation, or lease:	
1. Facility (inclusive of building and land)	N/A
2. Building only	N/A
3. Land only	N/A
4. Equipment (Specify) N/A	N/A
5. Other (Specify) N/A	N/A
C. Financing Costs and Fees:	
1. Interim Financing	1,078,364
2. Underwriting Costs	256,979
3. Reserve for One Year's Debt Service	0
4. Other (Specify) Development Fee	378,950
D. Estimated Project Cost (A+B+C)	17,331,307
E. CON Filing Fee	38,995**
F. Total Estimated Project Cost (D+E)	17,370,303
TOTAL	\$17,370,303.00

** Please note that \$29,972.50 of the CON Filing Fee was paid with the original CON application. The remainder of the CON Filing Fee, \$9,022.50, is being paid with this CON application.

Attachment C: General Criteria for Certificate of Need

Economic Feasibility – Question 2

Letter from Chief Financial Officer



Care Redefined

SIGNATURE HEALTHCARE, LLC

12201 Bluegrass Parkway
Louisville, KY 40299
Ph: 502.568.7800 Fax: 502.568.7142
sadams@signaturehealthcarellc.com

April 12, 2013

Melanie Hill, Director
Tennessee Health Services & Development Agency
161 Rosa L. Parks Boulevard
Nashville, Tennessee 37243

Dear Ms. Hill:

I am writing on behalf of LP Nashville II, LLC (the "Applicant") with respect to CN1009-044A, which was approved for the combined replacement of the Lakeshore-Wedgewood and River Park nursing homes with an estimated project cost of \$13,360,741.00. When the Applicant determined that the actual cost of the project would be approximately \$4,010,000.00 in excess of the estimated cost, the Applicant arranged with Health Care REIT, Inc. to increase the amount of its maximum contingent payment amount on its loan under the master lease from \$13,900,000 to \$15,300,000. The additional excess costs were paid for by the Applicant from its cash reserves.

Please do not hesitate to contact me directly at (502) 568-7800 if you have any questions.

Very truly yours,

By: _____

A handwritten signature in dark ink, appearing to read "John Harrison", is written over a horizontal line.

John Harrison, Chief Financial Officer

Attachment C: General Criteria for Certificate of Need

Economic Feasibility – Question 3

Comparison to Recently Approved Certificates of Need

Project	Action	Date	Beds	Description	Total Cost	Cost/Bed	County	No.
LP Nashville II (Applicant)	Approved	12/15/2010	119	Replacement 119 bed nursing home at 832 Wedgewood Ave., Nash. 37203 combined replacement of 61 beds Lakeshore (832 Wedgewood) and relocation of 58 bed River Park Health Care from 1306 Katie Ave, Nash 37207, Nashville 37221.	\$17,370,303.00	\$145,968.93	Davidson	CN1009-044A
Chattanooga Medical Investors Limited Partnership d/b/a Life Care Center of Ooltewah	Approved	7/27/2011	120	The relocation and replacement of a nursing home from 455 North Highland Park Ave., Chattanooga 37404 to yet assigned address located on the northeast corner of Mountain View Road and Snow Hill Road, Ooltewah 37363. The licensed beds will decrease from 153 to 120.	\$20,990,000.00	\$174,916.67	Hamilton	CN1103-009
Life Care Center of Rhea County	Approved	4/27/2011	89	The relocation and replacement of an 89 bed nursing home located at 7824 Rhea Co. Hwy, Dayton to an unaddressed site between 9961 & 10529 Rhea Co. Hwy., Dayton, TN. No additional beds, nor new services will be initiated nor discontinued.	\$16,833,791.00	\$189,143.72	Rhea	CN1101-004
West Tennessee Transitional Care	Approved	1/26/2011	67	Change of site for the construction of a licensed 67 skilled nursing home bed replacement facility (as approved by CN0905-023A), from 670 Skyline Drive to 617 West Forest Avenue, Jackson (Madison County), TN.	\$10,814,999.00	\$161,417.90	Madison	CN1010-048
Highland Park Medical Investors, LLC dba Life Care Center of Stones River	Approved	9/23/2009	124	Relocation of previously approved CN0706047A and replacement nursing home containing 124 beds from 5710 Knob Rd. to unaddressed site on Murfreesboro Rd., Antioch. Number of licensed beds will not change.	\$18,953,630.00	\$152,851.85	Davidson	CN0203-021
Nashville Medical Investors, LLC d/b/a Life Care Center of Old Hickory	Approved	9/23/2009	159	Relocation and replacement of 159 bed nursing home (Life Care Center of Nashville) previously located at 701 Porter Road, Nashville (37206) to 1250 Robinson Road, Old Hickory (37138). Licensed beds will not change and will be certified for Medicare/Medicaid.	\$21,735,446.00	\$136,700.92	Davidson	CN0906-030
Clarksville Manor Nursing Center	Approved	3/25/2009	113	Replacement of CN0608-066A for the relocation from 2134 Old Ashland City Rd to 900 Professional Park Drive; replacement; and the addition of 30 SNF beds for a total of 1113 dually certified beds.	\$14,166,042.00	\$125,363.20	Montgomery	CN0812-120
NHC Place at Hendersonville	Approved	11/19/2008	62	The replacement and relocation of the existing thirty-two (32) licensed bed Hendersonville Nursing and the addition of thirty (30) new Medicare certified nursing home beds for a total of sixty-two (62) nursing home beds.	\$13,426,341.00	\$216,553.89	Sumner	CN0808-057
NHC Healthcare, Tullahoma	Approved	10/22/2008	53	The replacement and relocation of the existing licensed 53 bed Nursing Home and the addition of 7 new Medicare SNF beds for a total of 60 beds. The project will be part of a continuum of care program which will offer in addition assisted living units.	\$10,932,543.00	\$182,209.05	Coffee	CN0807-050
Life Care Center of Missionary Ridge	Approved	9/24/2008	108	The replacement and relocation of a 78-bed nursing home from 708 Dwight Avenue to 5501 Old Hixson Pike, Chattanooga. The addition of 30 beds, increasing the beds from 78 to 108. De-certify 30 beds from Life Care Center of East Ridge.	\$17,469,745.00	\$161,756.89	Hamilton	CN0806-038A

Attachment C: General Criteria for Certificate of Need

Economic Feasibility – Question 4

Updated Projected Data Chart

PROJECTED DATA CHART

Give information for the two (2) years following the completion of this project. The fiscal year begins in February (Month).

2013 APR 15 PM 2 33

2/1/2013 to
1/31/2014

2/1/2014 to
1/31/2015

A. Utilization Data (Specify Unit of measure)		Patient Days	Patient Days
B. Revenue from Services to Patients			
1.	Inpatient Services	4,118,295	10,752,576
2.	Outpatient Services	129,249	376,624
3.	Emergency Services	-	-
4.	Other Operating Revenue (Specify - _____)	6,997	32,862
Gross Operating Revenue		4,254,541	11,162,062
C. Deductions from Gross Operating Revenue			
1.	Contractual Adjustments	-	-
2.	Provisions for Charity Care	-	-
3.	Provisions for Bad Debt	(63,337)	(440,634)
Total Deductions		(63,337)	(440,634)
NET OPERATING REVENUE		4,191,203	10,721,428
D. Operating Expenses			
1.	Salaries and Wages	2,296,788	4,838,847
2.	Physician's Salaries and Wages	-	-
3.	Supplies	220,510	853,651
4.	Taxes	28,968	28,968
5.	Depreciation	-	-
6.	Rent	1,484,974	1,530,000
7.	Interest, Other than Capital	54,045	54,045
8.	Other Expenses (Specify) <i>management fees, purchased administrative services</i>	846,476	2,305,577
Total Operating Expenses		4,931,761	9,611,088
E. Other Revenue (Expenses) --- Net (Specify) _____		-	-
NET OPERATING INCOME (LOSS)		(740,558)	1,110,340
F. Capital Expenditures			
1.	Retirement of Principal	-	-
2.	Interest	-	-
Total Capital Expenditures		-	-
NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES		(740,558)	1,110,340

Attachment C: General Criteria for Certificate of Need

Economic Feasibility – Question 5

Updated Chart of Average Gross Charge

Average Gross Charges

Skilled Private	Skilled Semi	ICF Private	ICF Semi	ICF semi to PVT
400	275	250	225	325

Attachment C: General Criteria for Certificate of Need

Contribution to the Orderly Development of Health Care – Question 1

Contractual and/or Working Relationships

Material Contracts – LP Nashville II, LLC

Contract Type	Provider/Vendor	Effective Date	Term Date	Description
Advertising/Marketing Agreement	On Hold Marketing Services, Inc.	12/01/2012	11/30/2013	Full-service messaging services (i.e., scripting, marketing and recording services) for callers who are placed on hold at the facility.
Ambulance/Transportation Agreement	MedicOne Medical Response	01/01/13	12/31/2013	Non-medical transportation services for residents.
Alarm Testing/Monitoring	Century Fire Protection Services	12/01/2012	Perpetual	Quarterly inspections of the facility's fire system and on-going monitoring of facility's fire system.
Cable/Satellite TV Services	Sat Star Communications	10/19/2012	10/18/2017	DirecTV television services and equipment
Bio-Medical Waste Agreement	Heritage Environmental Services (GLOBAL)	06/01/2012	05/31/2015	Global Agreement between Heritage Environmental and Signature Consulting Services to provide bio-medical waste removal for all SCS operated facilities. Nashville II added to Global.
Dental Services Agreement	OneCare Dental Solutions, LLC	01/01/2013	12/31/2013	On-site dental services for facility residents including dental cleanings, denture cleanings, fitting, etc.
Dialysis Services Agreement	Fresenius Medical Care Vanderbilt	01/01/2013	12/31/2013	Outpatient dialysis services for resident.
Disaster Evacuation Agreement	LP Columbia, LLC d/b/a Signature HealthCARE of Columbia	01/01/2013	12/31/2013	Reciprocal Transfer Agreement in the event residents need to be evacuated to another facility for emergency purposes.
Disaster Evacuation Agreement	LP Nashville, LLC d/b/a Donelson Place Care and Rehabilitation Center	01/01/2013	12/31/2013	Reciprocal Transfer Agreement in the event residents need to be evacuated to another facility for emergency purposes.
Disaster Evacuation Agreement	LP Pigeon Forge, LLC d/b/a Pigeon Forge Care and Rehabilitation Center	01/01/2013	12/31/2013	Reciprocal Transfer Agreement in the event residents need to be evacuated to another facility for emergency purposes.
Dietary Consultant Agreement	SupremeCare, Inc	01/01/2013	12/31/2013	Dietary consulting services including menu planning and nutrition assistance for facility residents.
Food/Beverage	Sysco Corporation (GLOBAL)	12/01/2013	11/30/2016	Global Agreement between Sysco Corporation and Signature Consulting Services to provide food/beverage distribution services for all SCS operated facilities. Nashville II added to Global.
Food/Beverage	CLR Roasters (GLOBAL)	12/01/2012	11/30/2014	Global Agreement between CLR Roasters and Signature Consulting Services to provide roasted coffee for all SCS operated facilities Nashville II added to Global.
Food/Beverage	Juice Tyme (GLOBAL)	01/01/2013	12/31/2015	Global Agreement between Juice Tyme and Signature Consulting Services to provide certain juices and beverages for all SCS operated facilities. Nashville II added to Global.
Hospice Services Agreement	TNMO Healthcare d/b/a Avalon Hospice	01/01/2013	12/31/2013	Hospice services for facility residents require respite or general inpatient care.
Hospice Services Agreement	AseraCare Hospice	01/01/2013	12/31/2013	Hospice services for facility residents require respite or general inpatient care.
Laboratory Services Agreement	American Health Associates, Inc.	12/01/2012	11/30/2013	Laboratory services including lab testing and results.
Management/Consulting Agreement	Signature Consulting Services, LLC	01/01/2013	Perpetual	Management and supervision of facility operations including financial, legal, risk management, etc.

Material Contracts -- LP Nashville II, LLC

Contract Type	Provider/Vendor	Effective Date	Term Date	Description
Management/Consulting Agreement	Signature Clinical Consulting, LLC	01/01/2013	Perpetual	Management of facility's clinical operations (nursing, regulatory compliance, quality assurance, etc).
Management/Employee Services Agreement	Signature Payroll Services, LLC	01/01/2013	Perpetual	Management of supervision of payroll including payroll processing, employee benefits, assignment of employees to worksite, etc.
Management/Therapy Services Agreement	Signature Rehab Services, LLC	01/01/2013	Perpetual	Therapy services (speech, occupational, and physical therapy).
Medical Director Agreement	Bradley Bullock, MD	01/11/2013	01/10/2014	Medical Director administrative services.
Medical Supply/Rental Agreement	RecoverCare, LLC	01/01/2013	01/01/2015	Four (4) separate agreements for rental of medical equipment (Bariatric, Bed. Oxygen, and NPWT).
Medical Supply Agreement	Twin Med, LLC (GLOBAL)	07/01/2011	06/30/2014	Global Agreement between Twin Med and Signature Consulting Services to provide medical supplies for all SCS operated facilities. Nashville II added to Global.
Optometry Services Agreement	Eye America, LLC	01/16/2013	01/15/2014	Optometry services for facility residents including vision examination, glasses, and contacts.
Pest Control Services Agreement	Bio-Tech, Inc. (GLOBAL)	01/01/2013	Perpetual	Global Agreement between Bio-Tech and Signature Consulting Services to provide pest control services for all SCS operated facilities in KY, TN and MD. Nashville II added to Global.
Pharmacy Services Agreement	PharMerica Corporation (GLOBAL)	12/01/2012	12/31/2015	Global Agreement between PharMerica and Signature Consulting Services to provide pharmacy services for all SCS operated facilities. Nashville II added to Global.
Podiatry Services Agreement	Eye America, LLC (Foot Care Vision)	01/16/2013	01/15/2014	Podiatry services for facility residents.
Services Agreement	Waste Management (GLOBAL)	01/01/2012	12/31/2014	Global Agreement between Waste Management Services and Signature Consulting Services to provide waste/trash removal for all SCS operated facilities. Nashville II added to Global.
Radiology/X-Ray Services	Quality Mobile X-Ray Services	01/01/2013	12/31/2013	Mobile radiology and x-ray services (ultrasound) for facility residents.
Referral Agreement	Allscripts (GLOBAL)	03/01/2012	02/28/2015	Global Agreement between Allscripts and Signature Consulting Services to provide an e-referral management system for all SCS operated facilities. Nashville II added to Global.

Attachment C: General Criteria for Certificate of Need

Contribution to the Orderly Development of Health Care – Question 3

Updated List of Employee Positions and Pay Rates

List of Employee Positions and Pay Rates

Employee Position	Pay Rate	Commentary
Director of Nursing	\$46.00	The Nashville market is extremely competitive with respect to wages and salaries for executive level nurses. In order to fill this position, a higher wage is necessary.
MDS Coordinator	\$31.50	The Applicant recruited a lead MDS coordinator, which required a higher salary base. The MDS coordinator position is highly specialized and the overall management of the MDS process requires an applicant with a sufficient amount of experience. The job market for MDS coordinator job market is highly competitive for talented individuals with experience.
RN	\$29.00	Initial start up staff was hired at a slightly higher pay rate to ensure stability. The overall average pay rate will decrease over the next six to eight months with the hiring of additional staff.
LPN	\$26.00	Initial start up staff was hired at a slightly higher pay rate to ensure stability. The overall average pay rate will decrease over the next six to eight months with the hiring of additional staff.
Dietary Director	\$31.25	The background, education and culinary skills of the best-suited candidate for the Dietary Director position far exceeded the upper limit of the salary range for a standard dietary director. The return on investment that the Applicant will realize by deciding to hire this particular candidate will be realized in terms of customer satisfaction and lower raw food costs.
Activities Director	\$18.50	The candidate hired to be the Activities Director has a wealth of experience and trademarked programs, thus necessitating a slightly higher pay rate.
Admissions Director	\$23.07	The candidate hired to be the Admissions Director was recruited from a competitor facility. The candidate has the experience needed for the volume of admissions the Applicant anticipates experiencing.

Attachment C: General Criteria for Certificate of Need

Contribution to the Orderly Development of Health Care – Question 7.C.

New Facility License

Board for Licensing Health Care Facilities



State of Tennessee

License No. 0000000394

No. Beds 0119

DEPARTMENT OF HEALTH

This is to certify, that a license is hereby granted by the State Department of Health to

LP NASHVILLE II, LLC to conduct

and maintain a Nursing Home SIGNATURE HEALTHCARE OF NASHVILLE REHABILITATION & WELLNESS CENTER

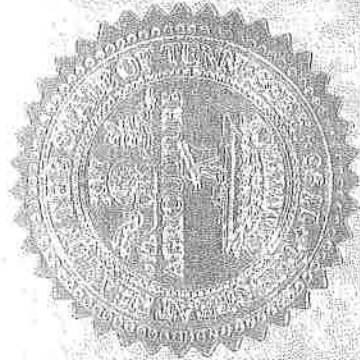
Located at 832 WEDGEWOOD AVENUE, NASHVILLE

County of DAVIDSON, Tennessee.

This license shall expire JANUARY 17, 2014 *and is subject to the provisions of Chapter 11, Tennessee Code Annotated. This license shall not be assignable or transferable, and shall be subject to revocation at any time by the State Department of Health, for failure to comply with the laws of the State of Tennessee or the rules and regulations of the State Department of Health issued thereunder.*

In Witness Whereof, we have hereunto set our hand and seal of the State

this 17TH JANUARY, 2013.



By James J. Davis, MPH
DIRECTOR, DIVISION OF HEALTH CARE FACILITIES

By [Signature]
COMMISSIONER

Attachment C: General Criteria for Certificate of Need

Proof of Publication

Affidavit

AFFIDAVIT

STATE OF KENTUCKY

2013 APR 15 PM 2 34

COUNTY OF JEFFERSON

John Harrison

being first duly sworn, says that he/she is the applicant named in this application or his/her/its lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. § 68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete.

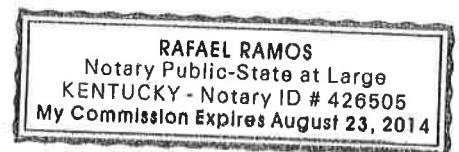

SIGNATURE/TITLE

Sworn to and subscribed before me this 15th day of April 2013 a Notary
(Month) (Year)

Public in and for the County/State of JEFFERSON


NOTARY PUBLIC

My commission expires August 23 2014
(Month/Day) (Year)





State of Tennessee

Health Services and Development Agency

Frost Building, 3rd Floor, 161 Rosa L. Parks Boulevard, Nashville, TN 37243

www.tn.gov/hsda Phone: 615-741-2364/Fax: 615-741-9884

Revised Letter May 6, 2013

CONSENT CALENDAR

May 1, 2012

Michael D. Brent, Esq.
Bradley Arant Boult Cummings LLP
1600 Division Street, Suite 700
Nashville, TN 37203

RE: Certificate of Need Application for LP Nashville II, LLC d/b/a Signature Healthcare of Nashville Rehabilitation & Wellness Center -- CN1304-012

Dear Mr. Brent:

This is to acknowledge the receipt of supplemental information to your application for a Certificate of Need for the cost overrun of approximately \$4,009,562.00 that occurred as a result of complications associated with implementing its previously approved Certificate of Need, CN1009-044A. The service area is Davidson County. Estimated project cost is \$4,009,562.00.

Please be advised that your application is now considered to be complete by this office. Your application is being forwarded to the Tennessee Department of Health and/or its representative for review.

In accordance with Tennessee Code Annotated, §68-11-1601, et seq., as amended by Public Chapter 780, the 30-day review cycle for **CONSENT CALENDAR** for this project will begin on May 1, 2013. The first thirty (30) days of the cycle are assigned to the Department of Health, during which time a public hearing may be held on your application. You will be contacted by a representative from this Agency to establish the date, time and place of the hearing should one be requested. At the end of the thirty (30)-day period, a written report from the Department of Health or its representative will be forwarded to this office for Agency review within the thirty (30)-day period immediately following. You will receive a copy of their findings. The Health Services and Development Agency will review your application on June 26, 2013.

Any communication regarding projects under consideration by the Health Services and Development Agency shall be in accordance with T.C.A. § 68-11-1607(d):

- (1) No communications are permitted with the members of the agency once the Letter of Intent initiating the application process is filed with the agency. Communications between agency members and agency staff shall not be prohibited. Any communication received by an agency member from a person unrelated to the applicant or party opposing the application shall be reported to the Executive Director and a written summary of such communication shall be made part of the certificate of need file.
- (2) All communications between the contact person or legal counsel for the applicant and the Executive Director or agency staff after an application is deemed complete and placed in the review cycle are prohibited unless submitted in writing or confirmed in writing and made part of the certificate of need application file. Communications for the purposes of clarification of facts and issues that may arise after an application has been deemed complete and initiated by the Executive Director or agency staff are not prohibited.

Should you have questions or require additional information, please contact me.

Sincerely,

A handwritten signature in dark ink, appearing to read "Melanie M. Hill / MF". The signature is fluid and cursive, with the initials "MF" written at the end.

Melanie M. Hill
Executive Director

MMH:mab

cc: Dan Henderson, Director, Division of Health Statistics



State of Tennessee

Health Services and Development Agency

Frost Building, 3rd Floor, 161 Rosa L. Parks Boulevard, Nashville, TN 37243

www.tn.gov/hsda Phone: 615-741-2364/Fax: 615-741-9884

Revised May 6, 2013

MEMORANDUM

TO: Dan Henderson, Director
Office of Policy, Planning and Assessment
Division of Health Statistics
Cordell Hull Building, 6th Floor
425 Fifth Avenue North
Nashville, Tennessee 37247

FROM: Melanie M. Hill, Executive Director

DATE: May 1, 2013

RE: Certificate of Need Application
LP Nashville II, LLC d/b/a Signature Healthcare of Nashville
Rehabilitation & Wellness Center -- CN1304-012
CONSENT CALENDAR

Please find enclosed an application for a Certificate of Need for the above-referenced project.

This application has undergone initial review by this office and has been deemed complete. It is being forwarded to your agency for a **CONSENT CALENDAR** thirty (30) day review period to begin on May 1, 2013 and end on June 1, 2013.

Should there be any questions regarding this application or the review cycle, please contact this office.

MMH:mab

Enclosure

cc: Michael D. Brent, Esq.



2013 APR 10 PM 1:00

LETTER OF INTENT TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY

The Publication of Intent is to be published in the Tennessean which is a newspaper of general circulation in Davidson County, Tennessee, on or before April 10, 2013 for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency,

LP Nashville II, LLC d/b/a Signature Healthcare of Nashville Rehabilitation & Wellness Center

(Name of Applicant)

nursing home

(Facility Type-Existing)

owned by: LP Nashville II, LLC with an ownership type of limited liability company

and to be managed by: Signature Clinical Consulting Services intends to file an application for a Certificate of Need for [PROJECT DESCRIPTION BEGINS HERE]; and Signature Consulting Services, LLC (Mgmt/Consulting)

for the cost overrun of approximately Four Million Ten Thousand Dollars (\$4,010,000) that occurred as a result of complications associated with implementing its previously-approved Certificate of Need application, CN1009-044A. The address of the facility is 832 Wedgewood Ave., Nashville, TN 37203.

The anticipated date of filing the application is: April 15, 2013

The contact person for this project is Michael Brent Attorney

(Contact Name)

(Title)

who may be reached at: Bradley Arant Boult Cummings LLP 1600 Division Street, Suite 700

(Company Name)

(Address)

Nashville TN 37203 615/252-2361

(City)

(State)

(Zip Code)

(Area Code / Phone Number)

[Signature] 4-10-13 mbrent@babbc.com

(Signature)

(Date)

(E-mail Address)

The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

Health Services and Development Agency
The Frost Building, Third Floor
161 Rosa L. Parks Boulevard
Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.



STATE OF TENNESSEE
HEALTH SERVICES AND DEVELOPMENT AGENCY
500 Deaderick Street
Suite 850
Nashville, Tennessee 37243
741-2364

April 19, 2013

Michael D. Brent
Bradley Arant Boult Cummings, LLP
1600 Division Street, Suite 700
Nashville, Tennessee 37203

RE: Certificate of Need Application CN1304-012
LP Nashville II, LLC d/b/a Signature healthcare of Nashville Rehabilitation and
Wellness Center

Dear Mr. Brent:

This will acknowledge our April 15, 2013 receipt of your application for a Certificate of need for the cost overrun of approximately four million ten thousand dollars (\$4,010,000) that occurred as a result of complications associated with implementing its previously approved Certificate of Need, CN1009-044A.

Several items were found which need clarification or additional discussion. Please review the list of questions below and address them as indicated. The questions have been keyed to the application form for your convenience. I should emphasize that an application cannot be deemed complete and the review cycle begun until all questions have been answered and furnished to this office.

Please submit responses in triplicate by 12:00 noon, Thursday April 25, 2013. If the supplemental information requested in this letter is not submitted by or before this time, then consideration of this application may be delayed into a later review cycle.

The applicant referenced application CN1009-044A in responding to many questions in the application. In addition to referencing CN1009-044A, as requested in an April 3, 2013 email from Mark Farber, HSDA Deputy Director, please answer each question in

this application in a format that provides a brief summary/update of information provided in CN1009-044A.

1. Section A, Applicant Profile, Item 5

Please attach a copy of the management agreement that at least includes the anticipated scope of management services to be provided, the anticipated term of the agreement, and the anticipated management fee payment methodology and schedule.

2. Section A, Applicant Profile, Item 6

Please provide a copy of the Real Estate Purchase Agreement between Lakeshore Estate Incorporated and Signature Healthcare, LLC.

3. Section A, Applicant Profile, Item 8

The applicant referenced CN1009-004A rather than 1009-044A. Please revise and submit a replacement page.

4. Section A, Applicant Profile, Item 9

Please provide a total for licensed, staffed and proposed beds on the bed complement data chart and resubmit.

5. Section A, Applicant Profile, Item 10

The applicant has identified AmeriChoice (River Valley Plan) and Blue Cross Blue Shield of Tennessee (Volunteer State Health Plan) as operating in the proposed service area. The TennCare managed care organizations that are contracted with TennCare to operate in the proposed service area are AmeriChoice, AmeriGroup and TennCare Select. Please revise your response.

6. Section B, Project Description, Item I.

The applicant states "except for the addition of the new facility under CN1009-044A, and the other three (3) facilities, this information has not changed since the filing and granting of CN1009-044A" on the bottom of page 9 and top of page 10. Please identify the referenced three (3) facilities and clarify this statement.

7. Section B, Project Description, Item II.A.

Please provide the Square Footage and Cost per Square Footage Chart and a description of facility design.

8. Section B, Project Description, Item III.A. Plot Plan

The font of the provided plot plan is too small to read. Please provide a legible plot plan that includes the size of the site (in acres), location of the structure on the site, the location of the proposed construction, and the names of streets, roads, highways that cross or border the site.

9. Section C, Need Item 1

Please discuss how the proposed project will relate to the 5 Principles for Achieving Better Health found in the State Health Plan."

10. Section C, Need, Item 1. (Service Specific Criteria)

The applicant refers to Question 1.a. in CN1009-044A for a complete nursing home bed certificate of need analysis. The need has already been established for this application. Please submit a replacement page with a response of N/A.

11. Section C, Need, Item II

Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map including the State of Tennessee clearly marked to reflect the service area. **Please submit the map on 8 1/2" x 11" sheet of white paper marked only with ink detectable by a standard photocopier (i.e., no highlighters, pencils, etc.).** By referencing attachments found in application CN1009-044A is not an adequate response.

12. Section C. Economic Feasibility Item 1 (Project Cost Chart)

Please submit a copy of the referenced Final Project Report for CN1009-044A.

Please provide a Project Costs Chart for the \$4,009,562 Project Cost Overrun.

Please provide documentation from a Contractor and/or architect that support the estimated construction costs associated with the \$4,009,052 Cost Overrun.

13. Section C. Economic Feasibility Item 1

The Chart comparing cost of the applicant's project that that of previously approved CONs in Attachment C. Economic Feasibility-3 is noted. However, please compare the cost per square foot of construction rather than cost per bed for the facilities listed in the attachment.

14. Section C, Economic Feasibility, Item 4 (Projected Data Chart)

Please provide the most recent Projected Data Chart that list management fees. A revised Projected Data Chart is provided at the end of the supplemental request.

15. Section C, Economic Feasibility, Item 5

Please identify the project's average gross charge, average deduction from operating revenue, and average net charge. _____

16. Section C, Economic Feasibility, Item 10

Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. Only referencing attachments and responses found in application CN1009-044A is not an adequate response.

17. Section C, Orderly Development, Item 8

The applicant has responded "not applicable" this this question. Please clarify your response.

18. Section C, Orderly Development, Item 9

The applicant has responded "not applicable" this this question. Please clarify your response.

19. Project Completion forecast Chart

Please submit a Project Completion forecast Chart.

20. Proof of Publication

Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper as proof of the publication of the letter of intent.

In accordance with Tennessee Code Annotated, §68-11-1607(c) (5), "...If an application is not deemed complete within sixty (60) days after written notification is given to the applicant by the agency staff that the application is deemed incomplete, the application shall be deemed void." **For this application, the sixtieth (60th) day after written notification is Monday, June 17, 2013. If this application is not deemed complete by this date, the application will be deemed void.** Agency Rule 0720-10-.03(4)(d)(2) indicates that "Failure of the applicant to meet this deadline will result in the application being considered withdrawn and returned to the contact person. Resubmittal of the application must be accomplished in accordance with Rule 0720-10-.03 and requires an additional filing fee." Please note that supplemental information must be submitted timely for the application to be deemed complete prior to the beginning date of the review cycle which the applicant intends to enter, even if that time is less than the sixty (60) days allowed by the statute. The supplemental information must be submitted with the enclosed affidavit, which shall be executed and notarized; please attach the notarized affidavit to the supplemental information.

If all supplemental information is not received and the application officially deemed complete prior to the beginning of the next review cycle, then consideration of the application could be delayed into a later review cycle. The review cycle for each application shall begin on the first day of the month after the application has been deemed complete by the staff of the Health Services and Development Agency.

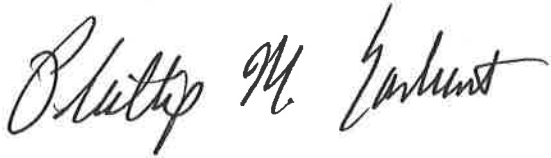
Any communication regarding projects under consideration by the Health Services and Development Agency shall be in accordance with T.C.A. § 68-11-1607(d):

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- (2) All communications between the contact person or legal counsel for the applicant and the Executive Director or agency staff after an application is deemed complete and placed in the review cycle are prohibited unless submitted in writing or confirmed in writing and made part of the certificate of need application file. Communications for the purposes of clarification of facts and issues that may arise after an application has been deemed complete and initiated by the Executive Director or agency staff are not prohibited.

Mr. Michael D. Brent
April 19, 2013
Page 6

Should you have any questions or require additional information, please do not hesitate to contact this office.

Sincerely,

A handwritten signature in black ink, reading "Phillip M. Earhart". The signature is written in a cursive style with a large, stylized "P" and "E".

Phillip M. Earhart
Health Services Development Examiner

PME

Enclosure

PROJECTED DATA CHART

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in _____ (Month).

	Year _____	Year _____
A. Utilization Data (Specify unit of measure)	_____	_____
B. Revenue from Services to Patients		
1. Inpatient Services	\$ _____	\$ _____
2. Outpatient Services	_____	_____
3. Emergency Services	_____	_____
4. Other Operating Revenue (Specify) _____	_____	_____
Gross Operating Revenue	\$ _____	\$ _____
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	\$ _____	\$ _____
2. Provision for Charity Care	_____	_____
3. Provisions for Bad Debt	_____	_____
Total Deductions	\$ _____	\$ _____
NET OPERATING REVENUE	\$ _____	\$ _____
D. Operating Expenses		
1. Salaries and Wages	\$ _____	\$ _____
2. Physician's Salaries and Wages	_____	_____
3. Supplies	_____	_____
4. Taxes	_____	_____
5. Depreciation	_____	_____
6. Rent	_____	_____
7. Interest, other than Capital	_____	_____
8. Management Fees:		

a. Fees to Affiliates	_____	_____
b. Fees to Non-Affiliates	_____	_____
9. Other Expenses – Specify on Page 23	_____	_____
Total Operating Expenses	\$_____	\$_____
E. Other Revenue (Expenses) -- Net (Specify)_____	\$_____	\$_____
NET OPERATING INCOME (LOSS)	\$_____	\$_____
F. Capital Expenditures		
1. Retirement of Principal	\$_____	\$_____
2. Interest	_____	_____
Total Capital Expenditures	\$_____	\$_____
NET OPERATING INCOME (LOSS)		
LESS CAPITAL EXPENDITURES	\$_____	\$_____

HISTORICAL DATA CHART-OTHER EXPENSES

OTHER EXPENSES CATEGORIES

	Year_____	Year_____	Year_____
1.	\$_____	\$_____	\$_____
2.	_____	_____	_____
3.	_____	_____	_____
4.	_____	_____	_____
5.	_____	_____	_____
6.	_____	_____	_____
7.	_____	_____	_____
Total Other Expenses	\$_____	\$_____	\$_____

PROJECTED DATA CHART-OTHER EXPENSES

OTHER EXPENSES CATEGORIES

	Year_____	Year_____
1.	\$_____	\$_____
2.	_____	_____
3.	_____	_____
4.	_____	_____
5.	_____	_____
6.	_____	_____
7.	_____	_____
Total Other Expenses	\$_____	\$_____



STATE OF TENNESSEE
HEALTH SERVICES AND DEVELOPMENT AGENCY

500 Deaderick Street
Suite 850
Nashville, Tennessee 37243
741-2364

April 26, 2013

Michael D. Brent
Bradley Arant Boult Cummings, LLP
1600 Division Street, Suite 700
Nashville, Tennessee 37203

RE: Certificate of Need Application CN1304-012
LP Nashville II, LLC d/b/a Signature Healthcare of Nashville Rehabilitation and
Wellness Center

Dear Mr. Brent:

This will acknowledge our April 25, 2013 receipt of your supplemental response for a Certificate of need for the cost overrun of approximately four million ten thousand dollars (\$4,010,000) that occurred as a result of complications associated with implementing its previously approved Certificate of Need, CN1009-044A.

Several items were found which need additional clarification or additional discussion. Please review the list of questions below and address them as indicated. The questions have been keyed to the application form for your convenience. I should emphasize that an application cannot be deemed complete and the review cycle begun until all questions have been answered and furnished to this office.

Please submit responses in triplicate by 12:00 noon, Tuesday April 30, 2013. If the supplemental information requested in this letter is not submitted by or before this time, then consideration of this application may be delayed into a later review cycle.

1. Section B, Project Description, Item II.A.

The Square Footage and Cost per Square Footage Chart and a description of facility design is noted. However, please provide a revised Square Footage and

Cost per Square Footage Chart that includes the cost over-run of \$4,019,023. A sample Square Footage and Cost per Square Footage Chart is included.

2. Section C, Need, Item II

The county level map for Middle Tennessee is noted. However, please submit a State of Tennessee county level map that clearly reflects the service area. **Please submit the map on 8 1/2" x 11" sheet of white paper marked only with ink detectable by a standard photocopier (i.e., no highlighters, pencils, etc.).** A sample Tennessee county level map is included.

3. Section C. Economic Feasibility Item 1 (Project Cost Chart)

Please provide a Project Costs Chart for the \$4,009,562 Project Cost Overrun. Please complete the attached Project Cost Chart.

4. Section C, Economic Feasibility, Item 4 (Projected Data Chart)

The Projected Data Chart with management fees is noted. On line A please provide the projected number of patient days for each of the first two years of operation. A sample Projected Data Chart is provided.

5. Proof of Publication

The publication affidavit from the newspaper as proof of the publication of the letter of intent is noted. Please also provide a copy of the newspaper publication that the Affidavit is verifying.

In accordance with Tennessee Code Annotated, §68-11-1607(c) (5), "...If an application is not deemed complete within sixty (60) days after written notification is given to the applicant by the agency staff that the application is deemed incomplete, the application shall be deemed void." **For this application, the sixtieth (60th) day after written notification is Monday, June 17, 2013. If this application is not deemed complete by this date, the application will be deemed void.** Agency Rule 0720-10-.03(4)(d)(2) indicates that "Failure of the applicant to meet this deadline will result in the application being considered withdrawn and returned to the contact person. Resubmittal of the application must be accomplished in accordance with Rule 0720-10-.03 and requires an additional filing fee." Please note that supplemental information must be submitted timely for the application to be deemed complete prior to the beginning date of the review cycle which the applicant intends to enter, even if that time is less than the sixty (60) days allowed by the statute. The supplemental information must be submitted with the enclosed affidavit, which shall be executed and notarized; please attach the notarized affidavit to the supplemental information.

If all supplemental information is not received and the application officially deemed complete prior to the beginning of the next review cycle, then consideration of the application could be delayed into a later review cycle. The review cycle for each application shall begin on the first day of the month after the application has been deemed complete by the staff of the Health Services and Development Agency.

Any communication regarding projects under consideration by the Health Services and Development Agency shall be in accordance with T.C.A. § 68-11-1607(d):

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Should you have any questions or require additional information, please do not hesitate to contact this office.

Sincerely,

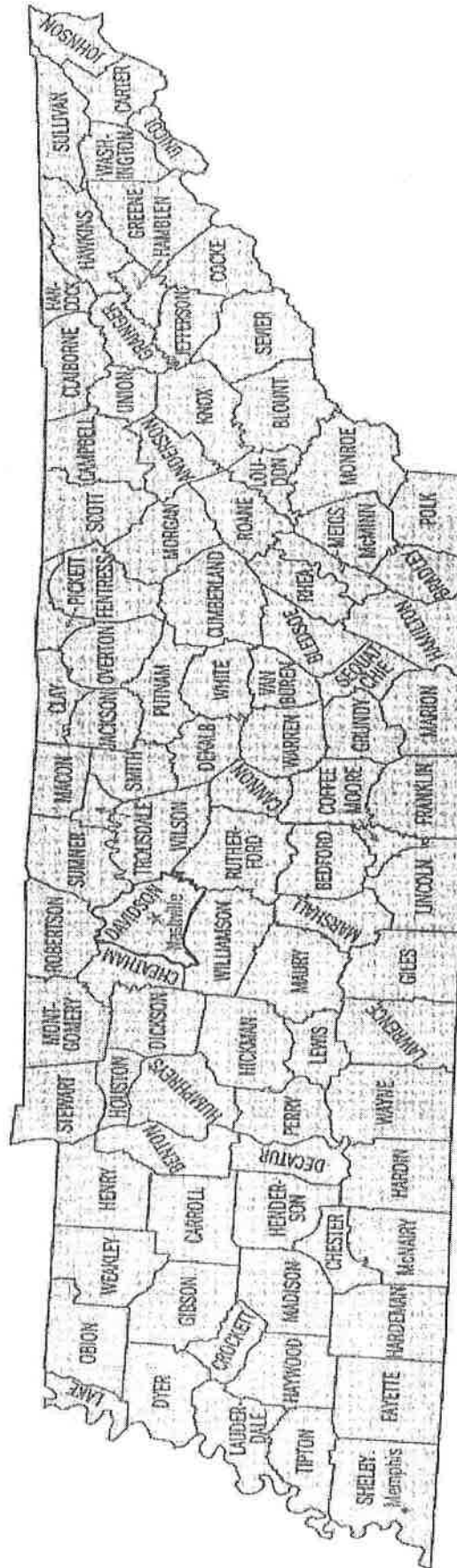
A handwritten signature in dark ink, appearing to read "Phillip M. Earhart", written in a cursive style.

Phillip M. Earhart
Health Services Development Examiner

PME

Enclosure

County Level Map Showing Proposed Service Area (Davidson County)



PROJECT COSTS CHART

A. Construction and equipment acquired by purchase:

- | | |
|--|----------------------|
| 1. Architectural and Engineering Fees | <input type="text"/> |
| 2. Legal, Administrative (Excluding CON Filing Fee), Consultant Fees | <input type="text"/> |
| 3. Acquisition of Site | <input type="text"/> |
| 4. Preparation of Site | <input type="text"/> |
| 5. Construction Costs | <input type="text"/> |
| 6. Contingency Fund | <input type="text"/> |
| 7. Fixed Equipment (Not included in Construction Contract) | <input type="text"/> |
| 8. Moveable Equipment (List all equipment over \$50,000) | <input type="text"/> |
| 9. Other (Specify) <input style="width: 150px;" type="text"/> | <input type="text"/> |

B. Acquisition by gift, donation, or lease:

- | | |
|---|----------------------|
| 1. Facility (inclusive of building and land) | <input type="text"/> |
| 2. Building only | <input type="text"/> |
| 3. Land only | <input type="text"/> |
| 4. Equipment (Specify) <input style="width: 150px;" type="text"/> | <input type="text"/> |
| 5. Other (Specify) <input style="width: 150px;" type="text"/> | <input type="text"/> |

C. Financing Costs and Fees:

- | | |
|---|----------------------|
| 1. Interim Financing | <input type="text"/> |
| 2. Underwriting Costs | <input type="text"/> |
| 3. Reserve for One Year's Debt Service | <input type="text"/> |
| 4. Other (Specify) <input style="width: 150px;" type="text"/> | <input type="text"/> |

D. Estimated Project Cost
(A+B+C)

E. CON Filing Fee

F. Total Estimated Project Cost
(D+E)

TOTAL

PROJECTED DATA CHART

SUPPLEMENTAL

Give information for the two (2) years following the completion of this project. The fiscal year begins in December (Month).

		Year - 7/2012 to 6/2013	Year - 7/2013 to 6/2014
		14,151 Patient Days	33,765 Patient Days
A. Utilization Data (Specify Unit of measure)			
B. Revenue from Services to Patients			
1. Inpatient Services		4,118,295	\$ 9,687,697.00
2. Outpatient Services	\$	129,249.00	\$ 338,892.00
3. Emergency Services	\$	-	\$ -
4. Other Operating Revenue (Specify - _____)	\$	6,997.00	\$ 17,195.00
Gross Operating Revenue	\$	4,254,540.58	\$ 10,043,784.00
C. Deductions from Gross Operating Revenue			
1. Contractual Adjustments	\$	-	\$ -
2. Provisions for Charity Care	\$	-	\$ -
3. Provisions for Bad Debt	\$	(63,337.14)	\$ (396,488.57)
Total Deductions	\$	(63,337.14)	\$ (396,488.57)
NET OPERATING REVENUE	\$	4,191,203.44	\$ 9,647,295.43
D. Operating Expenses			
1. Salaries and Wages	\$	2,638,908	\$ 5,134,893
2. Physician's Salaries and Wages	\$	-	\$ -
3. Supplies	\$	248,813.40	\$ 617,328.75
4. Taxes	\$	28,968.00	\$ 28,968.00
5. Depreciation	\$	-	\$ 5,156.67
6. Rent	\$	1,172,000.00	\$ 1,768,125.00
7. Interest, Other than Capital	\$	43,774.91	\$ 2,772.44
8. Other Expenses (Specify) (see Narrative Q14)	\$	768,357.31	\$ 1,826,117.33
Total Operating Expenses	\$	4,900,821.92	\$ 9,383,361.46
E. Other Revenue (Expenses) --- Net (Specify) _____	\$	-	\$ -
NET OPERATING INCOME (LOSS)	\$	(709,618.48)	\$ 263,933.97
F. Capital Expenditures			
1. Retirement of Principal	\$	-	\$ -
2. Interest	\$	-	\$ -
Total Capital Expenditures	\$	-	\$ -
NET OPERATING INCOME (LOSS) LESS CAPITAL EXPEDITURES	\$	(709,618.48)	\$ 263,933.97

COPY- SUPPLEMENTAL-1

Signature Healthcare/LP Nashville

CN1304-012



SUPPLEMENTAL

Michael D. Brent
Direct: 615.252.2361
Fax: 615.252.6361
mbrent@babco.com

2013 APR 25 AM 8:31

April 25, 2013

VIA hand delivery

Mr. Phillip M. Earhart
Health Services Development Examiner
Tennessee Health Services & Development Agency
161 Rosa Parks Boulevard
Nashville, Tennessee 37203

Re: LP Nashville II, LLC (CN1304-012) – First Supplemental Response

Dear Phillip:

Please allow this letter to serve as a response to your letter of April 18, 2013, requesting supplemental information for the above-listed certificate of need application. This letter and the corresponding attachments have been reviewed by an officer of the Applicant, and an appropriate affidavit is attached.

1. Section A, Applicant Profile, Item 5

Please attach a copy of the management agreement that at least includes the anticipated scope of management services to be provided, the anticipated term of the agreement, and the anticipated management fee payment methodology and schedule.

RESPONSE: Please find a copy of the Management Agreements attached at Supplemental Response 1 – Section A, Applicant Profile, Item 5: Management Agreement.

2. Section A, Applicant Profile, Item 6

Please provide a copy of the Real Estate Purchase Agreement between Lakeshore Estate Incorporated and Signature Healthcare, LLC.

RESPONSE: Please find a copy of the Real Estate Purchase Agreement between Lakeshore Estate Incorporated and Signature Healthcare, LLC attached at Supplemental Response 1 – Section, Applicant Profile, Item 6: Real Estate Purchase Agreement. Please note that this is the same document that was submitted in the First Supplemental Response to CN1009-044A.

3. Section A, Applicant Profile, Item 8

7/3117792.1

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Page 2

The applicant referenced CN1009-004A rather than 1009-044A. Please revise and submit a replacement page.

RESPONSE: A replacement page correcting this scrivener's error is attached at Supplemental Response 1, Section A, Applicant Profile, Item 8: Replacement Page.

4. Section A, Applicant Profile, Item 9

Please provide a total for licensed, staffed and proposed beds on the bed complement data chart and resubmit.

RESPONSE: Please find a replacement page with a revised Bed Complement Data Chart attached at Supplemental Response 1 – Section A, Applicant Profile, Item 9: Bed Complement Data Chart, which provides a total for licensed, staffed and proposed beds.

5. Section A, Applicant Profile, Item 10

The applicant has identified AmeriChoice (River Valley Plan) and Blue Cross Blue Shield of Tennessee (Volunteer State Health Plan) as operating in the proposed service area. The TennCare managed care organizations that are contracted with TennCare to operate in the proposed service area are AmeriChoice, AmeriGroup and TennCare Select. Please revise your response.

RESPONSE: The Applicant will contract with AmeriChoice, AmeriGroup and TennCare Select, all of which are contracted with TennCare to operate in the proposed service area.

6. Section B, Project Description, Item I.

The applicant states “except for the addition of the new facility under CN1009-044A, and the other three (3) facilities, this information has not changed since the filing and granting of CN1009-044A” on the bottom of page 9 and top of page 10. Please identify the referenced three (3) facilities and clarify this statement.

RESPONSE: As stated in CN1009-044A, SHC owns and operates skilled nursing facilities in multiple states. At the time of the filing of CN1009-044A, SHC owned twenty-two (22) locations in Tennessee. The number of facilities owned by SHC in Tennessee has since increased to twenty-six (26) facilities, which number includes the Applicant's facility. In addition to the Applicant's facility, the three (3) new facilities owned by SHC in Tennessee are The Bridge at Highland located at 215 Highland Circle Drive in Portland, Tennessee, Signature HealthCARE at St. Peter Villa located at 141 North McLean Boulevard in Memphis, Tennessee, and Signature HealthCARE at

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Page 3

Methodist located within Methodist Hospital at 1265 Union Avenue in Memphis, Tennessee.

7. Section B, Project Description, Item II.A.

Please provide the Square Footage and Cost per Square Footage Chart and a description of facility design.

RESPONSE: The square footage of the Applicant's facility is 72,943 square feet. Through the approval of CN1009-044A, the Applicant was able to replace two existing nursing homes – River Park Health Care Facility (formerly fifty-eight (58) beds) and Lakeshore-Wedgewood Facility (formerly sixty-one (61) beds) – with a single, larger, combined replacement facility. The resulting new facility is modernized and state of the art. The new facility includes a number of attractive amenities, including a therapy gym with modern rehabilitation services space, a large enclosed outdoor courtyard for the use and enjoyment of residents, families, and staff members and rooms with modern finishing, including wood (VCP) flooring, fully furnished electric beds and flat screen TVs. The facility also includes high-end dining facilities, coffee bars, and Internet cafes. The facility includes fifty-five (55) private, single occupancy rooms and thirty-two (32) double occupancy rooms with sixty-four (64) beds. From an aerial view, the primary portion of the facility resembles the shape of a diamond, with an attached wing to the southeast of the primary portion of the facility.

Please find a Cost Per Square Footage Chart attached at Supplemental Response 1 – Section B, Item II.A.: Cost Per Square Footage Chart.

8. Section B, Project Description, Item III.A. Plot Plan

The font of the provided plot plan is too small to read. Please provide a legible plot plan that includes the size of the site (in acres), location of the structure on the site, the location of the proposed construction, and the names of streets, roads, highways that cross or border the site.

RESPONSE: Please find a revised plot plan attached at Supplemental Response 1 – Section B, Project Description, Item III.A.: Plot Plan. The size of the site, as listed on the attachment, is approximately 3.7 acres.

9. Section C, Need Item 1

Please discuss how the proposed project will relate to the 5 Principles for Achieving Better Health found in the State Health Plan.

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RESPONSE: The Applicant's response with respect to the Five Principles for Achieving Better Health is as follows:

- *Principle 1: The purpose of the State Health Plan is to improve the health of Tennesseans:*

While this principle focuses mainly on the goals and strategies that support health policies and programs at the individual, community and state level that will help improve the health status of Tennesseans, this project is consistent in that it supports a continuum of care model where following an acute care stay, patients will be able to receive intensive skilled nursing care and rehabilitative services at a stepped-down cost from an acute care setting. The ultimate goal for all patients admitted to the Applicant's facility is to return home to the least-restrictive and least-costly option available where the individual can live the healthiest life possible.

- *Principle 2: Every citizen should have reasonable access to health care:*

The Applicant's healthcare model targets patients that are Medicare qualified beneficiaries seeking skilled nursing and rehabilitation services following a prior hospital stay. The majority of all patients placed in nursing homes from the acute care setting are Medicare beneficiaries. Since Medicare is a federal insurance program covering individuals age 65 and older, as well as disabled individuals below this threshold age, access to long term care Medicare beds is a function of bed availability in the market. The Applicant's original application, CN1009-044A, was approved, thus showing that there was a need for additional access to long term health care options in the Davidson County service area.

- *Principle 3: The state's health care resources should be developed to address the needs of Tennesseans while encouraging competitive markets, economic efficiencies, and the continued development of the state's health care system:*

The Applicant's project speaks to the very heart of this principle at several levels. By assuring that the appropriate level of care and health care beds are available, when needed, the state's health care system will be able to keep cost to their lowest level possible by making sure patients utilize services at the lowest level of care possible.

- *Principle 4: Every citizen should have confidence that the quality of health care is continually monitored and standards are adhered to by health care providers:*

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Page 5

The Applicant's facility is a long term care provider that is surveyed both at the State and Federal levels. Through various sources, including the Medicare.gov website and the Nursing Home Compare data sets, consumers can now compare and research long term care providers, home care providers and acute care providers. The Applicant compares favorably both at the state and national level on these measurements. The Applicant is dedicated to providing quality care to its service area.

- *Principle 5: The state should support the development, recruitment, and retention of a sufficient and quality health care workforce:*

The Applicant, as evidenced by the commentary at Attachment C: General Criteria for Certificate of Need – Contribution to the Orderly Development of Health Care – Question 3 in CN1304-012, is extremely dedicated to the fifth principle of the State Health Plan. The Applicant was judicious in its hiring of a director of nursing, MDS coordinator, RNs, LPNs, dietary director, activities director and admissions director for the facility. All of these employees have excellent credentials and will provide quality and dedicated service to patients.

10. Section C, Need, Item 1. (Service Specific Criteria)

The applicant refers to Question 1.a. in CN1009-044A for a complete nursing home bed certificate of need analysis. The need has already been established for this application. Please submit a replacement page with a response of N/A.

RESPONSE: Please see the replacement page attached at Supplemental Response 1 -- Section C, Need, Item 1. (Service Specific Criteria): Replacement Page.

11. Section C, Need, Item II

Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map including the State of Tennessee clearly marked to reflect the service area. **Please submit the map on 8 1/2" x 11" sheet of white paper marked only with ink detectable by a standard photocopier (i.e., no highlighters, pencils, etc.).** By referencing attachments found in application CN1009-044A is not an adequate response.

RESPONSE: Please find a map of the service area attached at Supplemental Response 1 -- Section C, Need, Item II: Map of Service Area. As stated in CN1009-044A, the service area is Davidson County and the Nashville Metropolitan area. The service area is consistent with the definition of "service area" in the Agency's Guidelines for Growth, which defines the service area as a county or counties where the majority of the service population is within a thirty (30) minute drive of the facility.

12. Section C. Economic Feasibility Item 1 (Project Cost Chart)

April 25, 2013

Page 6

Please submit a copy of the referenced Final Project Report for CN1009-044A.

Please provide a Project Costs Chart for the \$4,009,562 Project Cost Overrun.

Please provide documentation from a Contractor and/or architect that support the estimated construction costs associated with the \$4,009,052 Cost Overrun.

RESPONSE: Attached at Supplemental Response 1 – Section C, Economic Feasibility, Item 1 (Project Cost Chart) please find a copy of the Final Project Report for CN1009-044A, a copy of the Project Costs Chart for the Project Cost Overrun, and a letter from a contractor supporting the estimated construction costs associated with the Cost Overrun.

13. Section C. Economic Feasibility Item 1

The Chart comparing cost of the applicant's project that that of previously approved CONs in Attachment C. Economic Feasibility-3 is noted. However, please compare the cost per square foot of construction rather than cost per bed for the facilities listed in the attachment.

RESPONSE: Please find a chart comparing cost per square foot of construction of the Applicant's project to similar previously-approved CONs at Supplemental Response 1 – Section C, Economic Feasibility, Item 1: Cost Per Square Footage Comparison Chart. Per our conversation on April 24, 2013, this chart includes only those facilities that were included in the Staff Summary for the certificate of need application filed by Chattanooga Medical Investors Limited Partnership d/b/a Life Care Center of Ooltewah (CN1103-009). We were unable to find information related to the cost per square foot of construction for the other facilities listed in the previously-submitted Attachment C. Economic Feasibility-3. Please note that the Applicant's cost per square foot of construction compares very favorably to other recently-approved projects.

14. Section C, Economic Feasibility, Item 4 (Projected Data Chart)

Please provide the most recent Projected Data Chart that list management fees. A revised Projected Data Chart is provided at the end of the supplemental request.

RESPONSE: Please find attached at Supplemental Response 1 – Section C, Economic Feasibility, Item 4 (Projected Data Chart) a revised Projected Data Chart listing management fees separately.

15. Section C, Economic Feasibility, Item 5

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Page 7

Please identify the project's average gross charge, average deduction from operating revenue, and average net charge.

RESPONSE: The Applicant has used the following average daily rates in its project, which reflect the estimated rates that the Applicant anticipates receiving in 2014:

Payor Type	Estimated 2014 Average Daily Charge
Skilled Private	\$400
Skilled Semi-Private	\$275
ICF Private	\$250
ICF Semi-Private	\$225
ICF Semi to Private	\$325

Because of the nature of the nursing home reimbursement system, the Applicant is paid a daily rate by both Medicare, under the Skilled Nursing Facility Prospective Payment System, and by Medicaid/TennCare, under a rate-setting mechanism. As such, the Applicant must accept the rate from each of these governmental payors as payment in full. The Applicant's Projected Cost Chart does allocate an amount for bad debt, receivables and contractual adjustments. Moreover, there are no other significant deductions from operating revenue, and the Applicant's rate equates to its net charge, with no significant difference between the gross and net charges.

16. Section C, Economic Feasibility, Item 10

Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. Only referencing attachments and responses found in application CN1009-044A is not an adequate response.

RESPONSE: The Applicant is a newly formed entity, created for the single purpose of developing and operating this facility. Since the facility has only recently commenced operations, it does not yet have a balance sheet or income statement completed.

17. Section C, Orderly Development, Item 8

The applicant has responded "not applicable" this question. Please clarify your response.

RESPONSE: The Applicant would like to clarify that there are no final orders or judgments entered in any state or country by a licensing agency or court against professional licenses held by the Applicant or any entities or persons with more than a 5% ownership interest in the Applicant.

April 25, 2013

Page 8

18. Section C, Orderly Development, Item 9

The applicant has responded “not applicable” this question. Please clarify your response.

RESPONSE: The Applicant would like to clarify that there are no final civil or criminal judgments for fraud or theft against any person or entity with more than a 5% ownership interest in the project.

19. Project Completion forecast Chart

Please submit a Project Completion forecast Chart.

RESPONSE: Please note that the Applicant’s project is completed, and CN1304-012 is simply for the Project Cost Overrun that resulted from the completion of CN1009-044A. Nonetheless, attached at Supplemental Response 1 – Project Completion Forecast Chart, please find a completed Project Completion Forecast Chart.

20. Proof of Publication

Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper as proof of the publication of the letter of intent.

RESPONSE: Attached at Supplemental Response 1 – Proof of Publication please find a publication affidavit from The Tennessean.


**April 25, 2013
8:20 am**

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If you have any questions or need anything further, please do not hesitate to contact me.

Very truly yours,

BRADLEY ARANT BOULT CUMMINGS LLP

A handwritten signature in dark ink, appearing to read "Michael D. Brent", is written over the printed name.

Michael D. Brent

MDB

LP Nashville II – CN1304-012

Affidavit

April 25, 2013
8:20 amAFFIDAVIT

STATE OF KENTUCKY

COUNTY OF JEFFERSON

2013 APR 25 AM 8:36

John Harrison

being first duly sworn, says that he/she is the applicant named in this application or his/her/its lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. § 68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete.

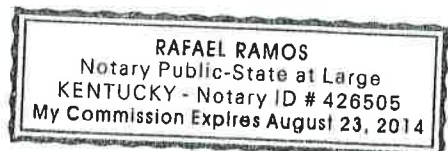

SIGNATURE/TITLE

Sworn to and subscribed before me this 29th day of April 2013 a Notary
(Month) (Year)

Public in and for the County/State of JEFFERSON


NOTARY PUBLIC

My commission expires August 23, 2014
(Month/Day) (Year)



LP Nashville II – CN1304-012

SUPPLEMENTAL RESPONSE 1 – Section A, Applicant Profile,
Item 5: Management Agreement

CONSULTING SERVICES AGREEMENT

THIS CONSULTING SERVICES AGREEMENT is made and entered into as of January 1, 2013 (the "Effective Date"), by and between and Signature Consulting Services, LLC, a Delaware limited liability company ("Consultant") and LP Nashville II, LLC, a Delaware limited liability company ("Provider").

ARTICLE I
SERVICES AND OBLIGATIONS OF CONSULTANT

A. Services. Consultant shall provide the services listed on Exhibit A attached hereto and incorporated herein, to Provider, at Provider's cost.

ARTICLE II
COMPENSATION

A. Consulting Fee. As compensation for the services rendered by the Consultant, the Provider shall pay the Consultant a monthly fee in an amount equal to four and one-half percent (4.5%) of the gross revenues (net of contractual adjustments) of the Facility ("Consulting Fee"). If applicable, Provider shall also pay a monthly fee in an amount equal to one-half percent (0.5%) of the cash collections obtained by Consultant's central billing office on Provider's behalf ("CBO Fee" and together with the Consulting Fee, the "Fees"). The Fees are due and payable within fifteen (15) days after the end of each month in which the Consultant provides services.

ARTICLE III
RIGHTS AND OBLIGATIONS OF PROVIDER

A. Provider Responsibilities. Provider acknowledges and agrees that the following duties and responsibilities are the duties of Provider and are not the duties or obligations of Consultant:

1. Provider shall supervise and direct the operation of the Facility so as to maintain the Facility in substantial compliance with the requirements of any statute, ordinance, law, rule, regulation or order of any governmental or regulatory body having jurisdiction over the Facility and with all orders and requirements of the local board of fire underwriters or any other body, which may exercise similar functions.

2. Provider shall supervise and direct the operation of the Facility, including, but not limited to, the provision of care to Facility residents, staffing and general onsite administration. In connection therewith, Provider shall supervise the Facility employees and other service providers.

3. Provider shall supervise and direct the day-to-day business activities, management and operation and repair of the Facility and all phases of its operation.

4. Provider shall supervise and direct the obtaining and maintenance, on behalf of Provider, of all licenses, certifications, permits, consents, approvals and certifications required for the operation of the Facility.

5. Provider shall supervise and direct the Facility activities as may be required to maintain and preserve all necessary licenses, certifications, permits, consents and approvals to operate the Facility so as to substantially comply with all applicable laws, rules and regulations.

6. Provider shall supervise and direct the institution of written standards and procedures for all Facility operations.

7. Provider shall supervise and direct the establishment and maintenance of policy and procedure manuals needed with reference to the operation of the Facility so that the Facility complies with all applicable local, state, and federal laws, regulations and requirements.

8. Provider shall supervise and direct the selection, employment, compensation, supervision, and training an adequate staff, as required by law including an administrator for the Facility.

9. Provider shall supervise and direct the promotion, direction, assignment, and discharging all such employees.

10. Provider shall supervise and direct the contracting for all necessary services for the general operation and maintenance of the Facility.

It is understood that during the Term, the Provider is and will remain the responsible licensee of the Facility and, as such, is fully liable and legally accountable at all times to all patients and governmental organizations for all patient care and funds, and all other aspects of the operations and maintenance of the Facility. In the event that any violation of any statute, law, regulation or obligation or claim is made, for any reason by any person or entity, arising from or applicable to the operation or maintenance of the Facility, including but not limited to patient care, or the handling of patients' funds, during the Term of this Agreement, whether such violations or claims may result in the imposition of penalties, fines, court or administrative orders, litigation, including third-party and governmental claims, or license revocation or decertification as to the Facility or as to Provider, Provider shall (i) immediately notify Consultant of any such event, and (ii) take all actions necessary to protect the Consultant from any damage arising therefrom, including but not limited to contesting any such actions against the Provider's and the Facility, at Provider's cost and expense, whether through administrative or court proceedings.

ARTICLE IV TERM / TERMINATION

A. **Term.** The term of this Agreement shall begin on the Effective Date and continue unless terminated as provided herein.

B. **Termination.** Either party may terminate this Agreement by providing twelve (12) months prior written notice to the other party. In the event of a default or a Change in Control, this Agreement may be terminated by either party by providing thirty (30) days prior written notice to the other party. For the purposes contained herein, "Change of Control" shall be defined as the sale, transfer, or other disposition of all or substantially all of the assets of the other party to one or more persons or entities that are not, immediately prior to such sale, transfer or disposition, affiliated with such party.

**ARTICLE V
DEFAULT / REMEDIES / ATTORNEYS' FEES**

A. **Default.** In the event of default by either party of any of its obligations hereunder and in the event such default shall continue for ten (10) days after receipt of written notice thereof, then the non-defaulting party may terminate this Agreement immediately and seek any remedy available hereunder, at law and/or in equity. Furthermore, if the non-defaulting party engages an attorney to prepare a notice or notices and/or otherwise communicate with the defaulting party, then the defaulting party shall be liable to the other party for the reasonable attorneys' fees incurred by it for such services.

B. **Prevailing Party.** If any party brings an action or proceeding to enforce or interpret the terms hereof or declare rights hereunder, the prevailing party (as hereinafter defined) in any such proceeding, action, or appeal thereon, shall be entitled to reasonable attorneys' fees. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The term "prevailing party" shall include, without limitation, a party who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgment, or the abandonment by the other party of its claim or defense. The attorneys' fee award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees reasonably incurred.

**ARTICLE VI
GENERAL PROVISIONS**

A. **Compliance with Laws.** Consultant, and any of its personnel performing services hereunder, and Provider agree at all times during the existence of this Agreement to comply with all federal, state and local laws, rules, ordinances and regulations as they relate to this Agreement.

B. **Equal Employment.** Each party hereto warrants that it does not and will not discriminate against any employee or applicant for employment because of race, creed, color, national origin, gender, veteran status, or handicap, or as otherwise may be prohibited by law. Each party hereto warrants that they are in full initial and ongoing compliance with all current applicable federal, state, and local laws, regulations, and ordinances, included but not limited to:

1. Civil Rights of 1964;
2. The Rehabilitation Act of 1973;
3. The Fair Labor Standards Act;
4. Equal Opportunity Clause (41 CFR 60.250.5(a); 41 CFR 60-300.5(a); and 41-CFR 60.741.5(a))
5. Affirmative Action Programs (41 CFR 60-1.40(a)(2))
6. Other laws that may apply from time to time as amended.

**ARTICLE VII
MISCELLANEOUS PROVISIONS**

A. **Partial Invalidity.** The invalidity of one or more phrases, sentences, clauses, or sections contained in this Agreement shall not affect the validity of the remaining portions.

April 25, 2013

8:20 am

B. **Captions.** The headings to the various sanctions of this Agreement have been inserted for convenience only and shall not modify, define, limit, or expand express provisions of this Agreement.

C. **Amendments.** This Agreement contains the entire understanding between the parties with respect to the subject matter contained herein and may not be modified except by the written, mutual agreement of the parties. This Agreement supersedes all previous and contemporaneous agreements, written or oral, between the parties with respect to the subject matter contained herein.

D. **Waiver.** Failure of any party to insist upon compliance with any provision hereof shall not constitute a waiver thereof. No waiver of any provision of this Agreement shall be effective unless it is in writing and signed by the party against whom it is asserted. Any waiver of any provision of this Agreement shall only be applicable to the specific provision and instance to which it is related and shall not be deemed to be a continuing or future waiver as to such provision or as to any other provision.

E. **Notices.** Any notices or other communication permitted or required pursuant to this Agreement shall be made in writing and shall be delivered personally or sent by an overnight delivery or courier service, by certified or registered mail (postage prepaid) by telegraph, by telex or by facsimile transmission to the parties at the addresses set forth below. Notices shall be deemed given when personally served, telegraphed, telexed or sent by facsimile transmission, or, if sent by overnight delivery or courier service, the day after sent from within the United States, or if mailed, two (2) days after date of deposit in the United States mail.

To CONSULTANT: Signature Consulting Services, LLC
12201 Bluegrass Parkway
Louisville, KY 40299
Attn: Office of General Counsel

To PROVIDER: LP Nashville II, LLC
832 Wedgewood Avenue
Nashville, TN 37203
Attn: Administrator

F. **Governing Law.** This Agreement shall be governed by the laws of the Commonwealth of Kentucky. Jefferson County, Kentucky shall be the sole and exclusive venue for any litigation, special proceeding, or other proceeding between the parties that may be brought or arise out of or in connection with or by reason of this Agreement.

G. **Successors and Assigns.** This Agreement shall inure to the benefit of and be binding upon the parties hereto, their successors and permitted assigns.

H. **Counterparts.** This Agreement may be executed simultaneously in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

I. **Language.** All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular or plural, as the identification of the person or persons, firm or firms, corporation or corporations may require.

April 25, 2013

8:20 am

J. Execution. Each of the parties agrees to execute such additional instruments and documents as may be necessary to implement the terms and provisions of this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first set forth above.


CONSULTANT

Signature Consulting Services, LLC,
a Delaware limited liability company

By: 
John Harrison, Chief Financial Officer

PROVIDER

LP Nashville II, LLC
a Delaware limited liability company

By: 
Sandra L. Adams, VP and General Counsel

Approved as to Form
By: 
Olivia Bunton
Associate Counsel
Date: 11/28/12

EXHIBIT A
Consultant Services

1. Provide for the issuance of appropriate bills for services and materials furnished by the Facility and best efforts to collect accounts receivable and monies owed to the Facility, assist in the design of and maintenance of billing, resident and collection records; and prepare and file insurance and any and all other necessary or desirable applications, reports and claims related to revenue production.

2. Provide for the orderly and timely payment of accounts payable, taxes, insurance premiums and all payments due from the Facility.

3. Provide for the projection of cash receipts and disbursements for the Facility.

4. Provide for the preparation of monthly bank reconciliation reports and schedules.

5. Provide for the preparation of unaudited financial statements.

6. Provide for the analysis and reporting of monthly financial and operational performance.

7. Provide for the preparation of tax and regulatory reports.

8. Provide for the preparation of additional reports as required by government regulatory and other agencies.

9. Assist Provider in the negotiation and management of Facility contracts relating to necessary services, equipment and supplies.

10. Assist the Provider in evaluating, from time to time, general salary scales, personnel policies and appropriate employee benefits for all employees.

11. Assist the Provider with general Human Resources management services including, but not limited to, consulting on employee grievances and employment issues, facilitating annual workers compensation insurance policy renewal and consulting on the defense of annual workers compensation insurance audits.

12. Assist the Provider in connection with general legal and risk management matters including, but not limited to, facilitating annual liability insurance policy renewal, consulting on liability insurance claims activity and consulting on resident and family grievances and concerns.

13. Assist the Provider in the evaluation of the performance of the various departments of the Facility.

14. Consult regarding the maintenance of accounting and internal control systems using accounts and classifications consistent with those used in similar facilities, including suitable books of control and account as are necessary in order to comply with all state and federal standards, rules and regulations.

EMPLOYEE SERVICES AGREEMENT

THIS EMPLOYEE SERVICES AGREEMENT is made and entered into as of January 1, 20 13 (the "Effective Date"), by and between LP Nashville II, LLC, a Delaware limited liability company ("Recipient") and Signature Payroll Services, LLC, a Delaware limited liability company ("Provider").

ARTICLE I – EMPLOYMENT ARRANGEMENT

Section 1.1 General. In accordance with the terms and subject to the provisions of this Agreement, Provider agrees to procure, employ and make available to Recipient at its worksite(s) such personnel as Recipient shall, from time to time, deem necessary for the operation of its business (the "Provisioned Personnel"). Provider shall be responsible for the overall direction and control of the Provisioned Personnel and shall retain common law employer responsibilities for the Provisioned Personnel as stated in this Agreement and as may be required by law; *provided* that Recipient shall:

(i) undertake responsibilities pertaining to the operation of the core elements of Recipient's business, including direct supervision of the day to day activities of the Provisioned Personnel assigned to Recipient's worksite(s) in furtherance of Recipient's business; and

(ii) instruct the Provisioned Personnel as is necessary to conduct and manage Recipient's business, discharge any of Recipient's fiduciary responsibilities, or comply with any legal requirements applicable to Recipient.

Section 1.2 Additional Provisioned Personnel. Recipient shall be entitled to request and Provider shall as reasonably as practicable, provide and make available at Recipient's worksite(s) additional Provisioned Personnel. Recipient understands, agrees, and acknowledges that no person shall become employed by Provider, be covered by Provider's workers' compensation insurance or any other benefit or term or condition of employment, or be issued a payroll check by Provider unless that person has, prior to commencing such employment, completed Provider's W-4 withholding form and form I-9, all of which must be delivered to Provider before the person commences employment. Provider shall not be considered an employer for any person until that individual completes these forms and Recipient is notified that the person has been hired by Provider. In addition, Provider shall not be considered to be an employer of any person, for whom payroll information is not supplied during any payroll period, except as may be required by applicable law.

Section 1.3 Employer Services. Provider agrees to administer and/or provide the following employer services to the Provisioned Personnel for Recipient:

- (a) paying payroll/wages;
- (b) payroll processing;
- (c) human resource compliance assistance;
- (d) assignment of employees to Recipient's worksite(s);
- (e) administering any non-statutory and non-compulsory employee benefits as selected by Recipient;
- (f) administering required federal, state and local employee payments or withholdings from wages, as well as required employer remittances of employment taxes to federal, state and local taxing authorities; and
- (g) such other services as may be mutually agreed upon.

ARTICLE II – CERTAIN RESPONSIBILITIES OF EACH PARTY

Section 2.1 Responsibilities of Provider in Connection with Provision of Employment Services. Provider shall be responsible for:

- (a) **Provision of Personnel.** Recruiting, sourcing, interviewing and employing Provisioned Personnel.
- (b) **Payment of Wages and Benefits.** Paying salaries, bonuses, severance payments, retirement allowances and other benefits to Provisioned Personnel from Provider's payroll and accounts; and providing benefits under employee welfare and benefit plans established or modified by Provider from time to time. All benefits to be provided and all

taxes to be paid shall be reported under Provider's federal, state and local tax identification numbers during the term of this Agreement, except as otherwise required by applicable laws or regulations.

- (c) *Satisfaction of Reporting and Withholding Obligations.* Compliance with all rules and regulations governing the reporting and payment of federal, state and local, if any, payroll taxes on wages paid under this Agreement, including, but not limited to:
 - (i) federal income tax withholding provisions of the Internal Revenue Code of 1986, as amended, including the issuance of Forms W-2 to Provisioned Personnel for the purposes of withholding and paying all employment taxes in connection with the wages Provider pays to Provisioned Personnel;
 - (ii) state and/or local income tax withholding provisions, if applicable;
 - (iii) Federal Insurance Contributions Act (FICA);
 - (iv) Federal and State Unemployment Tax Acts (FUTA and SUTA); and
 - (v) applicable state disability tax provisions.
- (d) *Compliance with Fair Labor Standards.* Compliance with the Fair Labor Standards Act and similar state legislation, to the extent not assumed by Recipient herein.
- (e) *Compliance with Workers' Compensation Insurance Requirements.* Compliance with applicable workers' compensation laws and regulations for Provisioned Personnel, such as:
 - (i) procuring and maintaining workers' compensation insurance for all Provisioned Personnel, naming Recipient as an additional insured on such coverage;
 - (ii) providing, upon Recipient's written request, a certificate of insurance to Recipient showing workers' compensation coverage in effect for all Provisioned Personnel assigned to Recipient's worksite(s);
 - (iii) completing and filing all required reports; and
 - (iv) administering, managing, and otherwise processing claims and related procedures.
- (f) *Compliance with COBRA Requirements.* Compliance with Internal Revenue Code § 4980B (COBRA) with respect to covered employees who participate in Provider's group coverage, payroll and to whom COBRA provisions apply during the term of or at the time of termination of this Agreement.
- (g) *Providing Loss Control Services.* Monitoring and providing loss control services relating to workers' compensation.
- (i) *Worker's Notification.* Providing notification to Provisioned Personnel of the inception and termination of this Agreement.

Section 2.2 *Responsibilities of Recipient in Connection with Receipt of Employment Services.* Recipient shall have the following responsibilities (which may be satisfied by the Provisioned Personnel in connection with the satisfaction of their duties under this Agreement):

- (a) *Compliance with Safety Regulations.* Implementing appropriate safety employee procedures including, but not limited to:
 - (i) compliance with all federal, state and local health and safety laws, regulations and ordinances pertaining to worksite(s) safety and health, including, but not limited to the Occupational Safety and Health Act (OSHA);
 - (ii) maintenance of all safety records and logs;
 - (iii) implementation of reasonable safety rules, programs or devices which may be required by Provider or Provider's loss control services provider or workers' compensation carrier;
 - (iv) providing and ensuring use of all personal protective equipment, as required by federal, state or local law, regulation, ordinances, directives, or rules deemed necessary by Provider's loss control services provider and/or workers' compensation carrier;
 - (v) reporting all employee accidents and injuries to Provider within 24 hours of having knowledge of such injury and cooperating in conducting any investigation following the accident and, if required due to medical restrictions, permit the employee to work in a modified-duty capacity as requested or recommended by

- Provider or one of its authorized representatives until such time as the employee is no longer medically restricted from resuming duties performed prior to the accident and make reasonable accommodation(s) which may be required by the Americans With Disabilities Act or any similar federal or state requirements; and
- (vi) Providing access to Recipient's worksite(s) upon reasonable times to Provider and its loss control services provider and/or workers' compensation and liability insurance carriers for inspection to ensure that Provisioned Personnel are not exposed to an unsafe workplace. Provider's right to inspect shall be done in a nondisruptive manner and upon notice to the Recipient. Upon notification by Provider of an unsafe working condition or violation of any law, Recipient shall take the necessary steps to rectify the unsafe condition or correct the violation.
- (b) *Compliance with Contracting Requirements.* Satisfying government contracting requirements as regulated by any and all federal, state, county, or local laws, regulations, rules or ordinances.
- (c) *Compliance with Employment Related Laws.* Compliance with the Fair Labor Standards Act, the Family Medical Leave Act of 1993, the Americans With Disabilities Act, the Age Discrimination in Employment Act, Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, Equal Pay Act, Executive Order 11246 and any other federal, state or local laws, regulations, or ordinances which govern the employer-employee relationship, as may be amended from time to time, including any conduct, acts, or decisions occurring at the Recipient's worksite(s).
- (d) *Modification of Facilities.* Payment of all costs associated with physical compliance or facilities modification required to alter Recipient's worksite(s) for compliance or for any other needed accommodation(s) to be in compliance with the Americans With Disabilities Act or any similar federal, state or local laws, regulations, rules or ordinances.
- (e) *Licensure.* Obtaining or causing to be obtained any professional licenses or permits required to be obtained by any local, state or federal law or regulation and any other licenses or permits of Recipient or employees assigned to Recipient's worksite(s) to conduct Recipient's business. Recipient will, upon request, provide Provider with evidence of compliance with all license and permit requirements.
- (f) *Providing Required Supervision.* Providing any and all supervision of Provisioned Personnel required by any local, state or federal law or regulation, including supervision by an individual or entity that is required to possess or maintain a special license or permit.
- (g) *Satisfaction of Bonding Requirements.* Satisfaction of fidelity bonding requirements.
- (h) *Training and Discipline of Provisioned Personnel.* Job training, work evaluation and recommending any discipline deemed necessary of any Provisioned Personnel. Recipient shall have the right to reject any Provisioned Personnel or to have any Provisioned Personnel reassigned; *provided, however,* Recipient agrees that in making such decisions it will at all times comply with applicable laws, regulations, rules or ordinances, and this obligation will survive termination of this Agreement.
- (i) *ERISA Compliance.* Amending, integrating and coordinating the terms of any existing Recipient-sponsored benefit plans as necessary under Internal Revenue Code §414(m), (n), and (o) (ERISA), so that Provider's plans remain in compliance with all applicable laws.
- (j) *Risk Management.* Bearing any losses resulting from, and implementing and enforcing any and all worksite(s) procedures that exist for the purpose of preventing, the misappropriation, theft or embezzlement of Recipient's personal, real, or intellectual property.
- (k) *Maintenance of Insurance.* Maintaining the following insurance in the form and with insurers reasonably acceptable to Provider:
- (i) comprehensive general liability insurance covering bodily injury, death and property damage, including, without limitation, unlicensed, specifically licensed and non-owned motor vehicles; and

- (ii) such other insurance as is reasonably requested by Provider to be maintained by Recipient, giving regard to the nature of Recipient's business and the industry in which Recipient operates.

Section 2.3 *Maintenance of Records.*

- (a) Provider shall: (i) maintain complete records of all wages and benefits paid by Provider and personnel files relating to the employees assigned to Recipient's worksite(s); (ii) retain control of such records at a location determined solely by Provider; and (iii) make such records available as required by applicable federal, state or local laws, regulations, rules or ordinances. With respect to all employees assigned to Recipient's worksite(s), Recipient retains the right to copy or review all records maintained by Provider.
- (b) Recipient controls the worksite(s) and the scheduling of the Provisioned Personnel's access to the Recipient's worksite(s). Recipient therefore agrees to obtain and accurately report to Provider: (1) the total number of hours worked by each Provisioned Personnel, with the hours verified, as well as the exempt and non-exempt status of each Provisioned Personnel, in accordance with the requirements of the Fair Labor Standards Act and/or any other applicable federal, state or local law, regulation, rule or ordinance; (2) the number of vacation days, sick days and other hours and the reason, per pay period, that any Provisioned Personnel is absent from work; and (3) such other information relating to the Provisioned Personnel as is necessary for Provider to provide the services contemplated under this Agreement. Recipient assumes full responsibility for the accuracy and timeliness of all reports made to Provider.

Section 2.4 *Operation of Recipient's Business.* All strategic, operational and other business-related decisions with regard to Recipient's business shall be the exclusive responsibility of Recipient, and Provider will have no responsibility, authority or liability for any actions or inactions taken by Recipient with regard to strategic, operational, errors and omissions or other business-related decisions with regard to Recipient's business. When implementing such decisions, whether or not the actions are implemented by Provisioned Personnel, Recipient shall be acting solely on its own volition and responsibility, including but not limited to Recipient's negotiation with any necessary party under an applicable collective bargaining agreement to which Recipient is a party. Recipient shall make all filings and reports, including tax returns, applicable to the non-employment aspects of Recipient's business operations.

Section 2.5 *Insurance.* Neither party will exercise any claim it has against the other party for subrogation or contribution which may arise for any and all loss of or damage to any of its property, or for bodily injury, if the loss, damage, or bodily injury is covered by insurance, and only to the extent that the loss or damage is recovered under the policies of insurance which are required to be in effect by this Agreement.

ARTICLE III – TERM AND TERMINATION

Section 3.1 *Term.* Once executed and effective, this Agreement shall remain in force until terminated by either party in accordance with Section 3.2.

Section 3.2 *Termination Upon Advanced Notice.* This Agreement may be terminated (a) by Recipient, upon thirty (30) days prior written notice to Provider by certified mail, or (b) by Provider, upon thirty (30) days prior written notice to Recipient by certified mail.

Section 3.3 *Immediate Termination for Breach.* Either party may terminate this agreement upon the other party's breach of any material term or condition of this Agreement upon written notice thereof.

Section 3.4 *Termination by Provider.* At Provider's option, this Agreement will immediately terminate upon Provider providing written notice to Recipient and Recipient shall indemnify and hold harmless Provider from any consequences or liabilities arising from such termination if any one of the following conditions occur:

- (a) Recipient fails to make payments in compliance with this Agreement;

- (b) Recipient invokes or exercises its rights under 3(b)(1) of the Worker Adjustment and Retraining Notification Act ("WARN") and the Department of Labor regulations applicable to WARN;
- (c) Recipient fails to comply with WARN. Recipient shall also indemnify Provider for any severance payments or other obligations which may arise as a result of the provisions of WARN;
- (d) A voluntary or involuntary petition for reorganization or bankruptcy is filed by or against Recipient; or if Provider in its sole discretion determines that a material adverse financial change has occurred in Recipient's condition, or Recipient is unable to pay its debts as they become due in the ordinary course of business; and/or
- (e) Recipient closes any worksite(s) facility or operation without giving thirty (30) days prior written notice to Provider.

Section 3.5 *Effect of Termination.*

- (a) Upon termination of this Agreement, the Provisioned Personnel will be terminated and transferred to Recipient's payroll as of the effective date of termination of this Agreement. Recipient shall, from the date of termination of this Agreement, be the sole and exclusive employer of the Provisioned Personnel and shall be solely and exclusively responsible for the payment of all wages and employee benefits and for compliance with all local, state and federal laws, regulations, rules or ordinances regulating the employer/employee relationship or otherwise related to the employer/employee relationship.
- (b) Upon termination of this Agreement, the provision for health care continuation coverage shall be governed by Internal Revenue Code §4980B (COBRA) and Recipient shall be solely responsible for replacing any health care coverage for those employees covered by this Agreement in a manner that will avoid the generation of a "qualifying event" under Internal Revenue Code §4980B (COBRA).
- (c) Termination of this Agreement shall not relieve Recipient of Recipient's obligations for any unpaid Fees under the terms of this Agreement or either party of any of its other obligations accruing hereunder prior to the date of such termination.

ARTICLE IV – PAYMENT

Section 4.1 *Amount of Fees.* In consideration of Provider's performance under the terms of this Agreement, Recipient shall pay fees to Provider in an amount equal to the sum of (i) Provider's Costs (as defined below) relating to the applicable reimbursement period; (ii) Provider's prorated share of collateral required by the worker's compensation insurance program (collectively, the "Reimbursement Fee") and (iii) \$10 per month times the Provisioned Personnel Number (as defined below) as of the end of such reimbursement period (the "Administrative Fee" and, together with the Reimbursement Fee, the "Fees"). Each reimbursement period shall not be less than one month. The initial reimbursement by Recipient for the prorated share of the collateral required by the worker's compensation insurance program must be paid by December 31, 2011 and then on an ongoing basis as needed, based upon a mutually agreeable calculation. The Administrative Fee charged for any partial month shall be the monthly Administrative Fee prorated for such partial month. "Costs" means all direct costs incurred to perform Provider's obligations under this Agreement, including all out-of-pocket fees, expenses and costs; all wages and benefits paid or provided to Provisioned Personnel; and directly incurred operating costs such as telephone, photocopy, overnight courier and postage charges. "Provisioned Personnel Number" means the number of Provisioned Personnel as of the end of the last pay period prior to the Effective Date, subject to adjustment for any increase or decrease in the number of Provisioned Personnel that is greater than the greater of (i) ten (10) Provisioned Personnel or (ii) 5% of the total number of Provisioned Personnel, with any consecutive increases or decreases in Provisioned Personnel that do not result in an adjustment to the Provisioned Personnel Number being aggregated together for purposes of determining whether the Provisioned Personnel Number should be adjusted.

Section 4.2 *Terms of Payment.* All Fees noticed to Recipient in writing shall be payable by Recipient within five (5) business days following Recipient's receipt of such notice. Any amounts not paid by

Recipient to Provider when due are subject to a late penalty of 5% (or the maximum amount permitted by law if less than 5%) of the amount due per month or fraction thereof that remains outstanding. No amounts advanced by Provider which are not paid by Recipient on a timely basis shall be deemed a loan to Recipient; all past due amounts are delinquent obligations. Recipient agrees to collect, verify, and transmit to Provider's designated administrative office, no less than three (3) business days before each payroll date, any information required to determine correctly and accurately the amount of the payment due in accordance with Provider's rules and procedures.

Section 4.3 *Change in Fees.* Provider may modify its Fees by giving Recipient written notice of any modification. Except as stated below, Recipient may terminate this Agreement during the thirty (30) day period following the notice of modification of Fees by giving Provider written notice of cancellation if such modification results in increased Fees being charged to Recipient. This termination shall be effective thirty (30) days after Recipient gives the termination notice. Prior to the effective date of such termination, Recipient shall pay in full all accrued Fees due and owing to Provider, but Recipient shall have no responsibility for any increased Fees associated with Provider's modification of the Fees.

ARTICLE V – REPRESENTATIONS AND WARRANTIES

Section 5.1 *Mutual Representation.* Recipient and Provider mutually warrant to each other that neither will violate the Federal Fair Labor Standards Act or in any manner cause or seek to cause a violation of, any applicable federal, state or local law, ordinance, or regulation pertaining to the terms, conditions, and services of this Agreement. Recipient further warrants that it shall not make any payment of any kind to any employee covered by the terms of this Agreement without the knowledge and consent of Provider, except (1) business-related expense reimbursements; or (2) profit sharing or pension plan distributions made pursuant to the terms of a qualified or non-qualified plan in existence prior to the execution of this Agreement.

Section 5.2 *Representations of Recipient.* Except as otherwise disclosed to Provider in writing, Recipient warrants that: (1) none of the worksite(s) employees are represented by a union; (2) there are no pending, actual or anticipated employee charges, lawsuits or investigations, pending governmental investigations, actual or anticipated administrative investigations, enforcements or lawsuits relating to such employees, the working conditions of such employees, the products or services produced or provided by such employees or any other matters affecting the performance of Provider under this Agreement; and (3) all hazardous materials, if any, known or that reasonably should have been known by Recipient to be on Recipient's premises are maintained, stored and disposed of in accordance with applicable laws, regulations, rules or ordinances.

Section 5.3 *Non-Discrimination.* The parties warrant that they do not and will not discriminate against any person because of race, creed, color, national origin, gender, veteran status, or handicap, or as otherwise may be prohibited by law. Each party hereto warrants that they are in full initial and ongoing compliance with all current applicable federal, state, and local laws, regulations, and ordinances, included but not limited to:

1. Civil Rights Act of 1964;
2. The Rehabilitation Act of 1973;
3. The Fair Labor Standards Act;
4. Equal Opportunity Clause (41 CFR 60.250.5(a); 41 CFR 60-300.5(a); and 41-CFR 60.741.5(a))
5. Affirmative Action Programs (41 CFR 60-1.40(a)(2))
6. Other laws that may apply from time to time as amended.

ARTICLE VI – INDEMNIFICATION

Section 6.1 *Indemnification by Recipient.* Unless expressly stated in this Agreement as being the responsibility of Provider, Recipient agrees to indemnify, hold harmless, protect and defend Provider, and all of its subsidiaries, affiliates, related and parent companies, their respective shareholders, non-

Provisioned Personnel, attorneys, officers, directors, agents and representatives (all of which are collectively referred to as "Provider Indemnified Parties"), except to the extent any of these entities are providing insurance coverage that may be applicable, from and against:

- (a) any and all claims, demands, damages, injuries, deaths, actions, costs and expenses (including attorney's fees and expenses at all levels of legal and regulatory proceedings), whether known or unknown, direct or indirect ("Claims") arising out of the representations, acts or omissions of, or breach of the terms of this Agreement by, Recipient, its agents, representatives and employees, including Provisioned Personnel; and
- (b) any and all Claims arising out of the violation or noncompliance with any applicable local, state and/or federal law, regulation, rule or ordinance by Recipient, its agents, representatives and employees, including Provisioned Personnel; and
- (c) any and all Claims arising out of Recipient's business or provision of service; and
- (d) any and all Claims resulting from any claimed or actual actions, conduct, tortious, criminal or dishonest activity of Recipient, its agents and its employees, including Provisioned Personnel prior to, or during the term of, this Agreement.

Recipient's duty to defend, indemnify and hold harmless includes the duty to pay any award imposed by an administrative agency, or any judgment or settlement reached in any court action or arbitration including any and all expenses, including court costs and attorney's fees. RECIPIENT'S DUTY TO DEFEND, INDEMNIFY AND HOLD HARMLESS DOES NOT APPLY TO A MATERIAL BREACH OF THE TERMS OF THIS AGREEMENT BY, OR ANY NEGLIGENT OR TORTIOUS ACTS OF PROVIDER.

Section 6.2 Indemnification by Provider. Provider agrees to indemnify, hold harmless, protect and defend Recipient, Recipient employees that are not Provisioned Personnel, if any, officers, directors, agents and representatives from and against:

- (a) any and all Claims arising out of or related to a material breach of the terms of this Agreement by, or any negligent or tortious acts of, any person who that not a Provisioned Personnel but that is an authorized representative or employee of Provider and not covered by this Agreement;
- (b) other consequences of any sort, arising out of the negligent or willful failure of any person that is not a Provisioned Personnel but that is an authorized representative or employee of Provider and not covered under this Agreement to:
 - (i) comply with applicable workers' compensation, withholding tax, FUTA or SUTA, laws, rules and regulations; or
 - (ii) where any action is taken by Recipient or a Provisioned Personnel in compliance with a written corporate Provider policy, procedure, or direction which results in an infraction or violation of any applicable local, state and/or federal law, regulation, rule or ordinance.

Section 6.3 Limitation on Indemnification. The foregoing indemnification is not limited to claims, expenses, or liabilities where one party is solely liable but also apply to joint and several or concurrent liability such that when one party pays more than its pro rata share, the other party will indemnify it for that excess amount. Notwithstanding anything to the contrary contained in this Agreement, in no event shall either party be responsible for special, indirect, consequential, punitive or other such damages which the other may incur as a result of or arising out of this Agreement, even if told about the possibility of these types of damages. This does not however limit Provider's right to seek indemnification for consequential damages asserted by a third party or Provisioned Personnel in a claim against Provider.

Section 6.4 Survival of Indemnification. All indemnifications shall survive the termination of this Agreement.

ARTICLE VII – MISCELLANEOUS

Section 7.1 Notices. All notices and other communications hereunder shall be in writing and shall be deemed duly given (a) on the date of delivery if delivered personally, (b) on the first business day following the date of dispatch if delivered by a nationally recognized next-day courier service, (c) on the

fifth business day following the date of mailing if delivered by registered or certified mail, return receipt requested, postage prepaid or (d) if sent by facsimile transmission, when transmitted, and receipt is confirmed by telephone. All notices hereunder shall be delivered to the address set forth adjacent to the recipient's name on the signature page hereto. Any party may, by notice to the other party given in the form specified in this *Section 7.1*, change the address to which such notices are to be given.

Section 7.2 Assignability. This Agreement shall be binding upon and inure to the benefit of the parties hereto and thereto, respectively, and their respective successors and assigns; *provided, however*, that no party hereto or thereto may assign its respective rights or delegate its respective obligations under this Agreement without the express prior written consent of the other parties hereto or thereto; *provided, further*, Recipient shall not assign the services of any Provisioned Employee to anyone without the prior written consent of Provider, except as needed in the normal course of Recipient's business.

Section 7.3 Third Party Beneficiaries. The provisions of this Agreement are solely for the benefit of the parties hereto and are not intended to confer upon any Person, except the parties hereto, any rights or remedies hereunder. There are no third party beneficiaries of this Agreement, and this Agreement shall not provide any other person or entity with any remedy, claim, liability, reimbursement, claim of action or other right in excess of those existing without reference to this Agreement.

Section 7.4 Independent Parties. This Agreement shall in no way be interpreted as creating a partnership or an employment contract, express or implied, between Provider, or the Recipient and any Provisioned Employee.

Section 7.5 Entire Agreement and Waiver. This Agreement, including the schedules and exhibits hereto, if any, constitutes the entire agreement between the parties with regard to this subject matter and supersedes any and all agreements, whether oral or written, between the parties with respect to its subject matter. Failure by either party at any time to require performance by the other party or to claim a breach of any provision of this Agreement will not be construed as a waiver of any subsequent breach nor affect the effectiveness of this Agreement, nor any part of this Agreement, nor prejudice either party as regards to any subsequent action.

Section 7.6 Attorney's Fees. In the event that any action is brought by either party as a result of a breach or default in any provision of this Agreement, the prevailing party in such action shall be awarded reasonable attorney's fees and costs in addition to any other relief to which the party may be entitled.

Section 7.7 Legal Matters and Duty to Cooperate. In the event that an employee or a government agency or entity files any type of claim, lawsuit or charge against Provider, Recipient or both, alleging violation(s) of any law or for failure to do something which is/was otherwise required by law, Recipient and Provider mutually agree to cooperate with each other in the defense of any such claim, lawsuit or charge. Provider and Recipient will make available to each other as required any and all documents that either party has in its possession which relate to any such claim, lawsuit or charge including the availability of persons to provide testimony. Neither party shall have the duty to cooperate with the other if the dispute is between the parties themselves. The duty to cooperate will terminate in the event either party takes a position which is adverse to the other, regardless of whether the initial dispute arose between the parties themselves. Otherwise, the parties mutually agree that this provision shall survive the termination of this Agreement and relates only to claims, lawsuits or charges that pertain or are related to this Agreement.

Section 7.8 Survivorship. The terms and conditions of *Section 3.5, Article IV* and *Section 6.4* shall survive termination of this Agreement.

Section 7.9 Severability. If any provision of this Agreement or the application thereof to any person, entity or circumstance is determined by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions hereof or thereof, or the application of such provision to persons, entities or circumstances or in jurisdictions other than those as to which it has been held invalid or unenforceable, shall remain in full force and effect and shall in no way be affected, impaired or invalidated

thereby, so long as the economic or legal substance of the transactions contemplated hereby or thereby, as the case may be, is not affected in any manner adverse to any party. Upon such determination, the parties shall negotiate in good faith in an effort to agree upon such a suitable and equitable provision to effect the original intent of the parties.

Section 7.10 Headings. The captions in this Agreement are provided for convenience only and are not part of the terms and conditions of this Agreement.

Section 7.11 Waivers of Default. Waiver by any party of any default by the other party of any provision of this Agreement shall not be deemed a waiver by the waiving party of any subsequent or other default, nor shall it prejudice the rights of the other party.

Section 7.12 Modifications and Implementation. No provisions of this Agreement shall be deemed waived, amended, supplemented or modified by any party, unless such waiver, amendment, supplement or modification is in writing and signed by the authorized representative of the party against whom it is sought to enforce such waiver, amendment, supplement or modification; *provided, that* Provider may modify or implement new personnel or management procedures and policies pursuant to federal or state changes, amendments, or passages of new laws affecting same. Electronic mail shall not constitute a written agreement.

Section 7.13 Governing Law. This Agreement shall be governed by and construed and interpreted in accordance with the laws of the Commonwealth of Kentucky irrespective of the choice of laws principles of the Commonwealth of Kentucky, as to all matters, including matters of validity, construction, effect, enforceability, performance and remedies. The parties hereto submit to the exclusive jurisdiction of the Federal and state courts in the County of Jefferson in the Commonwealth of Kentucky, in any suit or proceeding arising out of or related to this Agreement or the transactions contemplated hereby.

Section 7.14 Force Majeure. No party shall be deemed in default of this Agreement to the extent that any delay or failure in the performance of its obligations under this Agreement results from any cause beyond its reasonable control and without its fault or negligence, such as acts of God, acts of civil or military authority, acts of terrorism, embargoes, epidemics, war, riots, insurrections, fires, explosions, earthquakes, floods, unusually severe weather conditions, labor problems or unavailability of parts, or, in the case of computer systems, any failure in electrical or air conditioning equipment. In the event of any such excused delay, the time for performance shall be extended for a period equal to the time lost by reason of the delay.

Section 7.15 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement, and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other party.

Section 7.16 Interpretation. Words in the singular shall be held to include the plural and vice versa and words of one gender shall be held to include the other gender as the context requires. The terms "hereof," "herein," and "herewith" and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole and not to any particular provision of this Agreement. The word "including" and words of similar import when used in this Agreement shall mean "including, without limitation," unless otherwise specified. The word "or" shall not be exclusive.

Section 7.17 Electronic-Recordkeeping. The parties agree and acknowledge that this Agreement may be kept in electronic form and that an electronic version of this Agreement will be just as valid and enforceable as the original.

SUPPLEMENTAL- # 1

April 25, 2013

8:20 am

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first set forth above.

PROVIDER:

SIGNATURE PAYROLL SERVICES, LLC,
a Delaware limited liability company

By: 

John Harrison
Chief Financial Officer

RECIPIENT:

LP Nashville II, LLC, a Delaware limited liability
company

By: LP Manager, LLC, its Manager

By: 

Sandra L. Adams
VP and General Counsel

Approved as to Form
By: 
Quira Bunton
Associate Counsel
Date: 11/25/12

**CONSULTING SERVICES AGREEMENT
(CLINICAL)**

THIS AGREEMENT ("Agreement") is entered into and effective as of the 1st day of January, 2013 (the "Effective Date"), by and between Signature Clinical Consulting Services, LLC, a Delaware limited liability company ("Consultant"), and LP Nashville II, LLC, a Delaware limited liability company ("Provider"), with respect to the following facts:

RECITALS

WHEREAS, Provider holds a License to operate and is operating a skilled nursing facility located at 832 Wedgewood Avenue, Nashville, TN 37203, and known as Signature HealthCARE of Nashville Rehabilitation and Wellness Center (the "Facility"); and

WHEREAS, Provider has requested that Consultant provide certain services to Provider in connection with the operation of the Facility; and

WHEREAS, the parties hereto wish to document their agreement with respect to the provision of such services by Consultant to Provider.

NOW, THEREFORE, in consideration of the facts referenced above and the covenants contained herein, and for other valuable consideration, **IT IS HEREBY AGREED AS FOLLOWS:**

**ARTICLE I
SERVICES AND OBLIGATIONS OF CONSULTANT**

A. **Services.** Consultant shall provide the services listed on Exhibit A attached hereto and incorporated herein, to Provider, at Provider's cost.

**ARTICLE II
COMPENSATION**

A. **Consulting Fee.** As compensation for the services rendered by the Consultant, the Provider shall pay the Consultant a monthly fee in an amount equal to one-half of one percent (.50%) of the gross revenues (net of contractual adjustments) of the Facility ("Consulting Fee"). The Consulting Fee is due and payable within fifteen (15) days after the end of each month in which the Consultant provides services.

**ARTICLE III
RIGHTS AND OBLIGATIONS OF PROVIDER**

A. **Provider Responsibilities.** Provider acknowledges and agrees that the following duties and responsibilities are the duties of Provider and are not the duties or obligations of

1. Provider shall supervise and direct the operation of the Facility so as to maintain the Facility in substantial compliance with the requirements of any statute, ordinance, law, rule, regulation or order of any governmental or regulatory body having jurisdiction over the Facility and with all orders and requirements of the local board of fire underwriters or any other body, which may exercise similar functions.

2. Provider shall supervise and direct the operation of the Facility, including, but not limited to, the provision of care to Facility residents, staffing and general onsite administration. In connection therewith, Provider shall supervise the Facility employees and other service providers.

3. Provider shall supervise and direct the day-to-day business activities, management and operation and repair of the Facility and all phases of its operation.

4. Provider shall supervise and direct the obtaining and maintenance, on behalf of Provider, of all licenses, certifications, permits, consents, approvals and certifications required for the operation of the Facility.

5. Provider shall supervise and direct the Facility activities as may be required to maintain and preserve all necessary licenses, certifications, permits, consents and approvals to operate the Facility so as to substantially comply with all applicable laws, rules and regulations.

6. Provider shall supervise and direct the institution of written standards and procedures for all Facility operations.

7. Provider shall supervise and direct the establishment and maintenance of policy and procedure manuals needed with reference to the operation of the Facility so that the Facility complies with all applicable local, state, and federal laws, regulations and requirements.

8. Provider shall supervise and direct the selection, employment, compensation, supervision, and training an adequate staff, as required by law including an administrator for the Facility.

9. Provider shall supervise and direct the promotion, direction, assignment, and discharging all such employees.

10. Provider shall supervise and direct the contracting for all necessary services for the general operation and maintenance of the Facility.

It is understood that during the Term, the Provider is and will remain the responsible licensee of the Facility and, as such, is fully liable and legally accountable at all times to all patients and governmental organizations for all patient care and funds, and all other aspects of the operations and maintenance of the Facility. In the event that any violation of any statute,

law, regulation or obligation or claim is made, for any reason by any person or entity, arising from or applicable to the operation or maintenance of the Facility, including but not limited to patient care, or the handling of patients' funds, during the Term of this Agreement, whether such violations or claims may result in the imposition of penalties, fines, court or administrative orders, litigation, including third-party and governmental claims, or license revocation or decertification as to the Facility or as to Provider, Provider shall (i) immediately notify Consultant of any such event, and (ii) take all actions necessary to protect the Consultant from any damage arising therefrom, including but not limited to contesting any such actions against the Provider's and the Facility, at Provider's cost and expense, whether through administrative or court proceedings.

ARTICLE IV TERM / TERMINATION

A. **Term.** The term of this Agreement shall begin on the Effective Date and continue unless terminated as provided herein.

B. **Termination.** Either party may terminate this Agreement by providing thirty (30) days' written notice to the other party.

ARTICLE V DEFAULT / REMEDIES / ATTORNEYS' FEES

A. **Default.** In the event of default by either party of any of its obligations hereunder and in the event such default shall continue for ten (10) days after receipt of written notice thereof, then the non-defaulting party may terminate this Agreement immediately and seek any remedy available hereunder, at law and/or in equity. Furthermore, if the non-defaulting party engages an attorney to prepare a notice or notices and/or otherwise communicate with the defaulting party, then the defaulting party shall be liable to the other party for the reasonable attorneys' fees incurred by it for such services.

B. **Prevailing Party.** If any party brings an action or proceeding to enforce or interpret the terms hereof or declare rights hereunder, the prevailing party (as hereinafter defined) in any such proceeding, action, or appeal thereon, shall be entitled to reasonable attorneys' fees. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The term "prevailing party" shall include, without limitation, a party who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgment, or the abandonment by the other party of its claim or defense. The attorneys' fee award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees reasonably incurred.

**ARTICLE VI
GENERAL PROVISIONS**

A. **Compliance with Laws.** Consultant, and any of its personnel performing services hereunder, and Provider agree at all times during the existence of this Agreement to comply with all federal, state and local laws, rules, ordinances and regulations as they relate to this Agreement.

B. **Equal Employment.** Each party hereto warrants that it does not and will not discriminate against any employee or applicant for employment because of race, creed, color, national origin, gender, veteran status, or handicap, or as otherwise may be prohibited by law. Each party hereto warrants that they are in full initial and ongoing compliance with all current applicable federal, state, and local laws, regulations, and ordinances, included but not limited to:

1. Civil Rights Act of 1964;
2. The Rehabilitation Act of 1973;
3. The Fair Labor Standards Act;
4. Equal Opportunity Clause (41 CFR 60.250.5(a); 41 CFR 60-300.5(a); and 41-CFR 60.741.5(a)
5. Affirmative Action Programs (41 CFR 60-1.40(a)(2)
6. Other laws that may apply from time to time as amended.

**ARTICLE VII
MISCELLANEOUS PROVISIONS**

A. **Partial Invalidity.** The invalidity of one or more phrases, sentences, clauses, or sections contained in this Agreement shall not affect the validity of the remaining portions.

B. **Captions.** The headings to the various sanctions of this Agreement have been inserted for convenience only and shall not modify, define, limit, or expand express provisions of this Agreement.

C. **Amendments.** This Agreement contains the entire understanding between the parties with respect to the subject matter contained herein and may not be modified except by the written, mutual agreement of the parties. This Agreement supersedes all previous and contemporaneous agreements, written or oral, between the parties with respect to the subject matter contained herein.

D. **Waiver.** Failure of any party to insist upon compliance with any provision hereof shall not constitute a waiver thereof. No waiver of any provision of this Agreement shall be effective unless it is in writing and signed by the party against whom it is asserted. Any waiver of any provision of this Agreement shall only be applicable to the specific provision and instance to which it is related and shall not be deemed to be a continuing or future waiver as to such provision or as to any other provision.

E. **Notices.** Any notices or other communication permitted or required pursuant to this Agreement shall be made in writing and shall be delivered personally or sent by an overnight delivery or courier service, by certified or registered mail (postage prepaid) by telegraph, by telex or by facsimile transmission to the parties at the addresses set forth below. Notices shall be deemed given when personally served, telegraphed, telexed or sent by facsimile transmission, or, if sent by overnight delivery or courier service, the day after sent from within the United States, or if mailed, two (2) days after date of deposit in the United States mail.

To CONSULTANT: Signature Clinical Consulting Services, LLC
12201 Bluegrass Parkway
Louisville, KY 40299
Attn: Office of General Counsel

To PROVIDER: LP Nashville II, LLC
832 Wedgewood Avenue
Nashville, TN 37203
Attn: Administrator

F. **Governing Law.** This Agreement shall be governed by the laws of the Commonwealth of Kentucky. Jefferson County, Kentucky shall be the sole and exclusive venue for any litigation, special proceeding, or other proceeding between the parties that may be brought or arise out of or in connection with or by reason of this Agreement.

G. **Successors and Assigns.** This Agreement shall inure to the benefit of and be binding upon the parties hereto, their successors and permitted assigns.

H. **Counterparts.** This Agreement may be executed simultaneously in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

I. **Language.** All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular or plural, as the identification of the person or persons, firm or firms, corporation or corporations may require.

J. **Execution.** Each of the parties agrees to execute such additional instruments and documents as may be necessary to implement the terms and provisions of this Agreement.

[SEE ATTACHED SIGNATURE PAGE]

**April 25, 2013
8:20 am**

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first set forth above.

CONSULTANT

Signature Clinical Consulting Services, LLC,
a Delaware limited liability company

By: 
John Harrison, Chief Financial Officer

PROVIDER

LP Nashville II, LLC
a Delaware limited liability company

By: 
Sandra Adams, VP & General Counsel

Approved as to Form
By: 
Quila Bunton
Associate Counsel
Date: 11/28/12

EXHIBIT A
Consultant Services

1. Recommend and provide to the Provider clinical policies and procedures in accordance with applicable law and the standard of care in the long term care industry, including updates as necessary.
2. Recommend and assist with the implementation of a regulatory compliance program for the Provider.
3. Assist with providing education and training to Provider's personnel on policies and procedures.
4. Review of quality indicator, certification and licensure, and life safety reports and provide recommendations for improvement to the Provider.
5. Conduct quality assurance surveys of the Provider's clinical operations and provide to the Provider recommendations for improvement.
6. Assist the Provider with plans of correction and responses to regulatory inquiries.
7. Tracking and reporting of regulatory performance for the Provider.
8. Assist the Provider with investigation and assessment of clinical services and incidents.
9. Serve as members of quality assurance committees and advisory boards as requested by the Provider.

LP Nashville II – CN1304-012

SUPPLEMENTAL RESPONSE 1 – Section A, Applicant Profile,
Item 6: Real Estate Purchase Agreement

REAL ESTATE PURCHASE AGREEMENT

THIS AGREEMENT made this 8th day of September, 2010 by and between Lakeshore Estates Incorporated, a Tennessee corporation (hereinafter referred to as "Seller"), whose address is 8044 Coley Davis Road Nashville, TN 37221, and Signature Healthcare, LLC, a Delaware limited liability company or an affiliate, whose address is 12201 Bluegrass Parkway, Louisville, KY 40299 (hereinafter referred to as "Purchaser").

For and in consideration of the representations, covenants and agreements herein contained, the parties hereto agree as follows:

1. **PURCHASE AND SALE:** Seller agrees to sell, transfer, convey, assign and deliver to Purchaser, and Purchaser hereby agrees to purchase from Seller, that certain real estate located at 832 Wedgewood Avenue, Nashville, TN, more particularly described on Exhibit "A" attached hereto and incorporated herein by this reference (hereinafter referred to as the "Land"), together with the buildings, improvements, and appurtenances located thereon, if any, and all mineral interests and all right, title and interest of Seller in and to any and all roads, easements, streets and rights-of-way of any kind, nature or description located thereon or relating thereto (all the foregoing and the Land hereinafter collectively referred to as the "Subject Property"), at the purchase price and upon the terms and conditions hereinafter set forth.

2. **PURCHASE PRICE:** The purchase price of the Subject Property is Two Million, and 00/100 Dollars (\$ 2,000,000.00) (the "Purchase Price"), payable to Seller as follows:

- (a) Two Hundred Thousand and 00/100 Dollars (\$200,000) (hereinafter referred to as the "Deposit") shall be deposited with the Seller, to be applied against the Purchase Price at Closing. The Deposit shall be deposited no later than three (3) business days after the Final Execution Date (as hereinafter defined in Subparagraph (10h); and
- (b) The balance of the Purchase Price shall be paid in currently available funds at Closing, all as more specifically provided for in Subparagraph 6(e) herein below.

3. **TITLE INSURANCE:** Purchaser shall cause to be procured, at Purchaser's expense and not later than 5:00 P.M. Central Standard Time on the date fifteen (15) business days following the Final Execution Date (as herein after defined):

A survey of the Subject Property, which survey shall: 1) be certified to Purchaser and the Title Company (as hereinafter defined) by a land surveyor licensed in the state where the Subject Property is located and approved by Purchaser; 2) contain a comprehensive surveyor's certificate and flood letter; 3) indicate the boundary lines of the Subject Property and any improvements thereon or adjacent to the Subject Property; 4) indicate any easements, rights-of-way, flood plain or flood zone areas, any existing setback lines, encroachments and other matters affecting the Subject Property (the number of acres located within any such area shall be identified in the survey); 5) the number of acres of the Land (accurate to two (2) decimal places); 6) the location of all public utilities; and shall otherwise be sufficient to allow the Title Company to eliminate the standard printed exceptions in the Owner's Title Policy (as hereinafter defined) pertaining to

discrepancies in the area or boundary lines, encroachments, overlaps, improvements, or similar matters (herein referred to as the "Survey").

An ALTA Form B-1984 Owner's Title Commitment (hereinafter the "Title Commitment") for the issuance of an owner's title insurance policy by a title company reasonably acceptable to Purchaser (herein referred to as the "Title Company"), together with copies of all documents relating to exceptions to title referred to therein (the Title Commitment, together with the documents relating to exceptions to title referred to therein, and Survey hereinafter collectively referred to as the "Title Reports").

Purchaser shall have fifteen (15) days after receiving the Title Reports to give notice to Seller of Purchaser's disapproval of any exception or matter indicated or referred to in the Title Reports, all such matters or exceptions as objected to by Purchaser being hereinafter referred to as the "Defects", and all such matters or exceptions to which Purchaser does not object being hereinafter referred to as the "Permitted Exceptions". In the absence of such notice, any such right of disapproval shall be deemed waived by Purchaser.

If Seller at its option and in its sole discretion, is either unable or unwilling to cure and eliminate any such Defects (except for mortgages or encumbrances which will be satisfied out of the proceeds at Closing or as otherwise set forth in Paragraph 5(k)) within seven (7) days after receipt of any such notice of disapproval (which cure or eliminations shall include the commitment of the Title Company, at Seller's sole cost and expense, to endorse over, eliminate or otherwise handle to Purchaser's satisfaction any such Defects), Purchaser shall have the option, in Purchaser's sole and absolute discretion, to (i) waive such Defects, or (ii) terminate this Agreement without liability, in which case the Deposit (as hereinafter defined) shall be forthwith returned to Purchaser, without any deduction or setoff whatsoever. On the Closing Date, Seller will cause to be issued to Purchaser by the Title Company a policy of owner's title insurance equal to the Purchase Price, containing only the Permitted Exceptions, exceptions to coverage waived or approved by Purchaser, and the standard exceptions printed in the Owner's Title Policy that cannot be deleted based on the Survey or standard seller's affidavit (hereinafter collectively referred to as the "Approved Title Exceptions").

4. **PURCHASER'S RIGHT OF ENTRY AND INSPECTION:** Purchaser and Purchaser's agents and representatives shall have the right, without the obligation, to enter upon the Subject Property prior to Closing to undertake water and soil samplings and conduct geological surveys of the soil and subsurface or other tests at the Subject Property, at Purchaser's own expense, for which Seller shall obtain, as necessary and if requested by Purchaser, from anyone having a possessory or other interest in the Subject Property written permission for access for undertaking the same, provided, however, Purchaser shall restore the Property to the condition prior to testing if the Closing does not occur. Seller shall, upon request of Purchaser, provide to Purchaser a description of all known operations, past and present, undertaken at the Subject Property and any existing maps and diagrams designating the location of past and present operations and past and present storage of hazardous substances and wastes, above and below ground, at the Subject Property, in addition to copies of all environmental and structural engineering studies performed on the Subject Property during the ten (10) years prior to the Final Execution Date provided, however, Purchaser shall not be required to investigate any such use prior to its Purchase of the Subject Property.

5. REPRESENTATIONS, WARRANTIES, COVENANTS AND AGREEMENTS OF SELLER: Seller represents, warrants, covenants and agrees to with Purchaser the following, which representations and warranties are presently true and correct and which shall be true and correct at the time of Closing, all of which are a material inducement for Purchaser entering into this Agreement, and which shall survive the closing of this transaction:

(a) Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Tennessee. Seller has all the requisite power and authority necessary to own the Subject Property. Seller has, and at all times has had, full corporate power and authority as a corporation and all Governmental Authorizations to own and lease its properties as such properties are now owned and leased and neither the nature of its activities nor the location of the Subject Property require the Seller to be qualified as a foreign corporation with any state.

(b) This Agreement constitutes a valid and legally binding obligation of Seller, enforceable in accordance with its terms, subject to bankruptcy, insolvency and other statutes affecting creditors' rights generally. Seller has the full right and power to transfer the Subject Property to Purchaser without obtaining the consent of any other Person or Governmental Body. Seller has taken, or will take all action required to authorize the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby.

(c) The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby and the fulfillment of and compliance with the terms and provisions hereof, do not, and will not: (1) violate any provision of, or result in the breach of or accelerate or permit the acceleration of the performance required by the terms of, any applicable law, rule or regulation of any Governmental Body having jurisdiction; (2) conflict with or violate any of the provisions of the Articles of Incorporation, Bylaws or resolution of the Directors of the Seller; (3) conflict with, result in a breach of, or constitute a default under any agreement or instrument to which the Seller is a party or bound, or of any Order, judgment or decree applicable to it, or by which the Subject Property is bound or any Order, judgment or decree applicable to Seller; (4) result in the creation of any Encumbrance upon the Subject Property; or (5) terminate or result in the termination of any agreement or in any way affect or violate the terms or conditions of, or result in the cancellation, modification, revocation, or suspension of, any of the Governmental Authorizations held by the Seller or Subject Property. There is no Person: (a) from whom Seller must obtain consent in order for it to perform validly and lawfully its obligations under this Agreement; and (b) to whom notice must be given in order for Seller to perform validly and lawfully its obligations hereunder.

(d) Seller is the owner of the fee simple and good and marketable title to the Subject Property;

(e) The Subject Property is free and clear of all liens and Encumbrances except for:

(a) (i) any mortgage or encumbrances which will be satisfied out of the proceeds of the Closing;

(ii) items shown on the Survey

(b) (iii) Permitted Exceptions as set forth in Section 3.

(f) There are no suits, judgments, tax liens, executions, bankruptcies or other actions, pending or threatened against the Seller or which might affect the Subject Property;

(g) There is no dispute with anyone concerning the location of property lines or corners and there are no encroachments of improvements onto Subject Property from adjacent properties and no encroachments of improvements from Subject Property onto adjacent property;

(h) There are no parties in possession other than Seller, and no party has any lease or other possessory interest in the Subject Property;

(i) Seller has no knowledge of any action or proceeding pending, threatened or instituted for the condemnation of any part of Subject Property nor any adjacent property, nor has Seller received from any governmental agency any notification of any pending public improvements relating to Subject Property nor any adjacent property or requirements with respect to any repairs, replacements or alterations to Subject Property that have not been satisfactorily made; Seller further covenants that there are no pending assessment liens other than usual ad valorem taxes of any nature against Subject Property;

(j) Seller is unaware of any latent defect regarding Subject Property such as sinkhole or other conditions which would materially affect the use of Subject Property as contemplated by Purchaser or otherwise;

(k) The Subject Property has been utilized by Seller for the operation of 61 nursing home beds and 147 assisted living beds and, to the Seller's knowledge and belief, is properly zoned to be used as a 119 bed long term care nursing facility;

(l) Seller is not a party to, nor does Seller have any knowledge of any agreements of which Purchaser is not aware relating to the Subject Property;

(m) Except as set forth on Exhibit "B", the Subject Property complies in all respects with applicable environmental laws, regulations and court or administrative environmental laws, regulations and court or administrative orders, there are no pending claims or threats of claims by private or governmental or administrative authorities relating to environmental impairment or regulatory requirements, there are no underground storage tanks located on the Subject Property, and there are no areas on the Subject Property where hazardous substances have either been disposed of, released or found;

(n) Seller will take no action from the date hereof to the Closing Date which would result in the creation of any lien or encumbrance on the Subject Property, will not perform

any grading or excavation, construction or removal of any improvements or make any other change or improvement to the Subject Property, and will not commit any waste or nuisance upon the Subject Property.

(o) Seller will cooperate with the Title Company and will present evidence and execute and deliver such documents and instruments as may be reasonably required by the Title Company to cure and/or eliminate the Defects as set forth in the Title Reports.

6. CLOSING:

- (a) The consummation of the sale transaction is referred to herein as the "Closing".
- (b) The Closing shall take place on or before 5:00 P.M. Central Standard Time on the date which is the later of: 1) September 30, 2010; or 2) ten (10) days after final, non-appealable approval of the transfer of the Certificate(s) of Need for 119 beds ("Certificates of Need") to the Subject Property (the date of Closing herein referred to as the "Closing Date"). . . Notwithstanding the foregoing, in the event that the Closing Date has not occurred by June 1, 2011, unless such failure is due to the actions or inactions of the Seller, either Seller or Purchaser may terminate this Agreement and the Deposit shall be returned to the Purchaser.
- (c) At the Closing, the Deposit shall be credited to the Purchase Price.
- (d) At the Closing, Seller shall deliver to Purchaser:
 - (i) A General Warranty Deed fully executed by Seller in recordable form and conveying the Subject Property to Purchaser free and clear of all encumbrances to title (except the Approved Title Exceptions);
 - (ii) The Owner's Title Policy (as referred to in Paragraph 3 above);
 - (iii) "Non-Foreign Affidavits" as required under Section 1445 of the Internal Revenue Code;
 - (iv) Assignments and other documents and instruments as may be reasonably required by Purchaser to assign to Purchaser all of Seller's right, title and interest of whatever nature in and to the Subject Property; and
 - (v) Such other documents and Instruments as may be reasonably required by Purchaser to effectuate the Closing of the Transaction herein contemplated.
- (e) At the Closing, Purchaser shall deliver to Seller:
 - (i) Currently available funds in an amount equal to the Purchase Price, less the Deposit Amount or credits as provided herein, adjusted as provided for in Subparagraph 6(f) immediately following; and
 - (ii) Any such documents and instruments as may be reasonably required by Seller to effectuate the Closing of the transactions herein contemplated.

(f) Purchaser and Seller shall prorate, as of the Closing Date, all items customarily prorated and adjusted in connection with the closing of real estate similar to the Subject Property, including all taxes, assessments, charges, and other income or charges, as the case may be, assessed against or derived from the Subject Property. Any such proration based on an estimate may, at request of either Purchaser or Seller, be subsequently readjusted upon receipt of adequate evidence to establish the correctness of the amount so estimated on condition that the statement to that effect is in the closing statement. The costs of the Owner's Title Policy shall be borne by Purchaser. The cost of recording the deed shall be paid by Purchaser.

(g) Possession of the Subject Property shall be given to Purchaser on the Closing Date, free from any claims of possessions whatsoever.

7. OBLIGATIONS TO CLOSE AND FAILURE OF PERFORMANCE:

- (a) Purchaser's obligation to close the transaction contemplated herein is expressly conditioned upon:
- (i) all of the Seller's representations and warranties being true and correct as of the Closing Date and all of Seller's covenants and agreements provided for herein being fully performed, observed and complied with and only in accordance with the terms of this Agreement.
 - (ii) The Title Reports being satisfactory to Purchaser as set forth in Paragraph 3 of this Agreement.
 - (iii) The Purchaser obtaining all governmental approvals necessary to construct and operate a 119 bed nursing facility on the Land including, without limitation, approval of the transfer of the Certificates of Need, zoning and site plan approval.
 - (iv) In the event this Agreement is terminated by Purchaser pursuant to the provisions of this Paragraph 7, then the Deposit shall be returned immediately to Purchaser by the Seller, neither Purchaser nor Seller shall be under any further obligation to the other and no further rights or remedies shall be enforceable or available to either of them against the other. In the event the sale contemplated hereby is not consummated due to a default or inability to perform on the part of the Seller, then the Deposit shall be returned immediately to Purchaser by the Seller and Purchaser shall also be entitled to specific performance and all other remedies available at law or in equity.
- (b) In the event all "Closing Conditions" are satisfied and this Agreement is not otherwise terminated by Purchaser pursuant to any of the provisions thereof and all of Seller's representations and warranties are true and correct as of the Closing or as herein otherwise set forth and all of the covenants and agreements which are required to be performed by Seller in this Agreement are fully performed, and in the event that performance of this Agreement is tendered by Seller and Purchaser fails or

refuses to consummate the sale through no fault of Seller, then the Seller shall be entitled to retain the Deposit. The Deposit shall constitute liquidated damages and shall be Seller's sole remedy. In the event either party brings an action to enforce its rights hereunder, the costs of such action, including reasonable attorney's fees of the prevailing party, shall be borne by the non-prevailing party.

8.. NOTICES: All notices and other communications provided for herein shall be validly given, made or served if in writing and delivered personally, by United States certified mail, return receipt requested, postage prepaid, or delivered by Federal Express or any other national courier service which requires signed receipt for delivery, as set forth below:

To Seller: Lakeshore Estates, Incorporated
ATTN: David Sciortino, President/CEO
8044 Coley Davis Road
Nashville, TN 37221

To Purchaser: Signature Healthcare, LLC
Attn: CEO
12201 Bluegrass Parkway
Louisville, KY 40299

With Copy to: Signature Healthcare, LLC
Attn: Office of the General Counsel
12201 Bluegrass Parkway
Louisville, KY 40299

LP Manager, LLC
6380 Wilshire Blvd., Suite 800
Los Angeles, CA 90048

or such other address as shall be furnished in writing by any party to the other party.

9. ASSIGNMENT: Purchaser shall be entitled to assign all or any of its rights, title and interest in, to and under this Agreement to an affiliate of Purchaser.

10. MISCELLANEOUS PROVISIONS:

(a) **Agreement Effective:** This Agreement shall be effective only upon the execution hereof by both Seller and Purchaser, and the execution by one party shall be deemed an offer by the party first executing this Agreement revocable at any time prior to the execution by the other party, unless expressly set out in writing herein to the contrary.

(b) **Governing Law:** This Agreement is being delivered and is intended to be performed in the State of Tennessee, and shall be construed and enforced in accordance with the laws of such State.

- (c) **Binding Effect:** Purchaser contemplates that prior to closing, it will organize an affiliate of the Purchaser which shall be a Limited Liability Company (LLC) which will take title to the Subject Property and be substituted as Purchaser. All the terms of this Agreement shall be binding upon and inure to, the benefit of, and be enforceable by, the parties hereto and their respective heirs, executors, administrators, successors and assigns.
- (d) **Exhibits:** The exhibits attached to this Agreement are incorporated herein and made a part hereof as though fully set out herein.
- (e) **Construction:** The section and subsection captions and headings herein are for convenience only and shall not affect the construction of any of the terms and provisions of this Agreement.
- (f) **Gender:** Wherever the context so requires, all words herein in the neuter gender shall be deemed to include the masculine or feminine genders, all singular words shall include the plural words and all plural words shall include the singular words.
- (g) **Entire Agreement:** This Agreement sets forth the entire agreement of the parties and it shall not be changed except by written instrument signed by Seller and Purchaser.
- (h) **Final Execution Date:** As used herein, the phrase "Final Execution Date" shall be the last date of execution of this Agreement by Seller and Purchaser.

IN WITNESS WHEREOF, the parties have executed this Agreement on the respective dates set forth below, effective as of the date first set forth above.

PURCHASER:

Signature Healthcare, LLC

BY: Sandra L. Adams
Title: Vice President & General Counsel
Date: 9/9/10

SELLER:

Lakeshore Estates, Incorporated

BY: David A. Scutten
Title: President/CEO
Date: September 8, 2010

EXHIBIT "A"
LEGAL DESCRIPTION
[SUBJECT TO REVISION WHEN PURCHASER'S SURVEY COMPLETE]

LP Nashville II – CN1304-012

SUPPLEMENTAL RESPONSE 1 – Section A, Applicant Profile,
Item 8: Replacement Page

5. Name of Management/Operating Entity (If Applicable)

LP Nashville II, LLC (Operating); Signature Clinical Consulting Services and Signature Consulting Services, LLC (Mgmt/Consulting)

Name

12201 Bluegrass Parkway

Street or Route

Jefferson

County

Louisville

City

KY

State

40299

Zip Code

PUT ALL ATTACHMENTS AT THE END OF THE APPLICATION IN ORDER AND
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

6. Legal Interest in the Site of the Institution (Check One)

- A. Ownership ☒ D. Option to Lease ☐
 B. Option to Purchase ☐ E. Other (Specify)
 C. Lease of Years

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

7. Type of Institution (Check as appropriate--more than one response may apply)

- | | | | |
|--|--------------------------|---|-------------------------------------|
| A. Hospital (Specify) <input type="text"/> | <input type="checkbox"/> | I. Nursing Home | <input checked="" type="checkbox"/> |
| B. Ambulatory Surgical Treatment Center (ASTC), Multi-Specialty | <input type="checkbox"/> | J. Outpatient Diagnostic Center | <input type="checkbox"/> |
| C. ASTC, Single Specialty | <input type="checkbox"/> | K. Recuperation Center | <input type="checkbox"/> |
| D. Home Health Agency | <input type="checkbox"/> | L. Rehabilitation Facility | <input type="checkbox"/> |
| E. Hospice | <input type="checkbox"/> | M. Residential Hospice | <input type="checkbox"/> |
| F. Mental Health Hospital | <input type="checkbox"/> | N. Non-Residential Methadone Facility | <input type="checkbox"/> |
| G. Mental Health Residential Treatment Facility | <input type="checkbox"/> | O. Birthing Center | <input type="checkbox"/> |
| H. Mental Retardation Institutional Habilitation Facility (ICF/MR) | <input type="checkbox"/> | P. Other Outpatient Facility (Specify) <input type="text"/> | <input type="checkbox"/> |
| | | Q. Other (Specify) <input type="text"/> | <input type="checkbox"/> |

8. Purpose of Review (Check) as appropriate--more than one response may apply)

- | | | | |
|--|--------------------------|---|-------------------------------------|
| A. New Institution | <input type="checkbox"/> | G. Change in Bed Complement | |
| B. Replacement/Existing Facility | <input type="checkbox"/> | [Please note the type of change by underlining the appropriate response: Increase, Decrease, Designation, Distribution, Conversion, Relocation] | <input type="checkbox"/> |
| C. Modification/Existing Facility | <input type="checkbox"/> | | |
| D. Initiation of Health Care Service as defined in TCA § 68-11-1607(4) | <input type="checkbox"/> | H. Change of Location | <input type="checkbox"/> |
| (Specify) <input type="text"/> | <input type="checkbox"/> | I. Other (Specify) | <input checked="" type="checkbox"/> |
| E. Discontinuance of OB Services | <input type="checkbox"/> | | |
| F. Acquisition of Equipment | <input type="checkbox"/> | | |

Cost overrun from previously-granted CON (CN1009-044A)

LP Nashville II – CN1304-012

SUPPLEMENTAL RESPONSE 1 – Section A, Applicant Profile,
Item 9: Bed Complement Data Chart

9. Bed Complement Data

Please indicate current and proposed distribution and certification of facility beds.

	<u>Current Beds Licensed</u>	<u>*CON</u>	<u>Staffed Beds</u>	<u>Beds Proposed</u>	<u>TOTAL Beds at Completion</u>
A. Medical	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
B. Surgical	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
C. Long-Term Care Hospital	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
D. Obstetrical	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
E. ICU/CCU	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
F. Neonatal	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
G. Pediatric	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
H. Adult Psychiatric	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
I. Geriatric Psychiatric	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
J. Child/Adolescent Psychiatric	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
K. Rehabilitation	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
L. Nursing Facility (non-Medicaid Certified)	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
M. Nursing Facility Level 1 (Medicaid only)	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
N. Nursing Facility Level 2 (Medicare only)	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
O. Nursing Facility Level 2 (dually certified Medicaid/Medicare)	<input type="text" value="119"/>	<input type="text"/>	<input type="text" value="119"/>	<input type="text" value="119"/>	<input type="text" value="119"/>
P. ICF/MR	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Q. Adult Chemical Dependency	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
R. Child and Adolescent Chemical Dependency	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
S. Swing Beds	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
T. Mental Health Residential Treatment	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
U. Residential Hospice	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
TOTAL	<input type="text" value="119"/>	<input type="text"/>	<input type="text" value="119"/>	<input type="text" value="119"/>	<input type="text" value="119"/>

*CON-Beds approved but not yet in service

*Note that because this CON application is due to a cost overrun, these 119 Nursing Facility Level 2 beds are already in service.

10. Medicare Provider Number

Certification Type

11. Medicaid Provider Number

Certification Type

12. If this is a new facility, will certification be sought for Medicare and/or Medicaid?

13. Identify all TennCare Managed Care Organizations/Behavioral Health Organizations (MCOs/BHOs) operating in the proposed service area. Will this project involve the treatment of TennCare participants? If the response to this item is yes, please identify all MCOs/BHOs with which the applicant has contracted or plans to contract.

Discuss any out-of-network relationships in place with MCOs/BHOs in the area.

LP Nashville II – CN1304-012

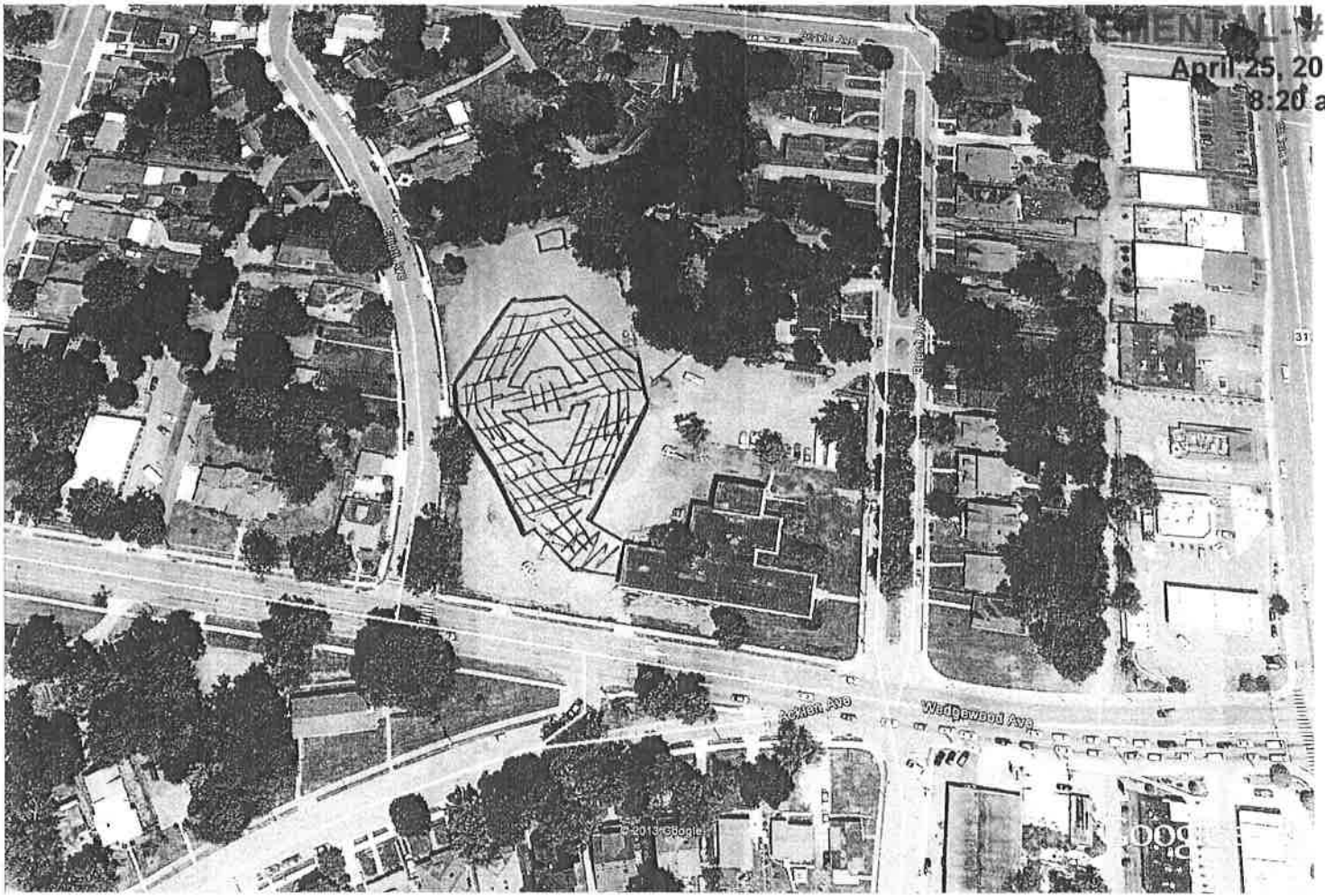
SUPPLEMENTAL RESPONSE 1 – Section B, Item II.A.: Cost Per
Square Footage Chart

8:20 am

A. Unit / Department	Existing Location	Existing SF	Temporary Location	Proposed Final Location	Proposed Final Square Footage		Proposed Final Cost/ SF		
					Renovated	New	Renovated	New	Total
B. Unit/Depart. GSF Sub-Total									
C. Mechanical/Electrical GSF									
D. Circulation /Structure GSF									
E. Total GSF		28,738			28,738	44,205	72,943	\$238.09	\$238.14

LP Nashville II – CN1304-012

SUPPLEMENTAL RESPONSE 1 – Section B, Project Description,
Item III.A.: Plot Plan



Google earth



size of site = 3.7 acres

LP Nashville II – CN1304-012

SUPPLEMENTAL RESPONSE 1 – Section C, Need, Item 1.
(Service Specific Criteria): Replacement Page

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED

In accordance with Tennessee Code Annotated § 68-11-1609(b), “no Certificate of Need shall be granted unless the action proposed in the application for such Certificate is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, and will contribute to the orderly development of health care.” The three (3) criteria are further defined in Agency Rule 0720-4-.01. Further standards for guidance are provided in the state health plan (Guidelines for Growth), developed pursuant to Tennessee Code Annotated §68-11-1625.

The following questions are listed according to the three (3) criteria: (I) Need, (II) Economic Feasibility, and (III) Contribution to the Orderly Development of Health Care. Please respond to each question and provide underlying assumptions, data sources, and methodologies when appropriate. *Please type each question and its response on an 8 1/2" x 11" white paper.* All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer. If a question does not apply to your project, indicate “Not Applicable (NA).”

QUESTIONS**NEED**

1. Describe the relationship of this proposal toward the implementation of the State Health Plan and Tennessee’s Health: Guidelines for Growth.
 - a. Please provide a response to each criterion and standard in Certificate of Need Categories that are applicable to the proposed project. Do not provide responses to General Criteria and Standards (pages 6-9) here.

RESPONSE: Not applicable.

- b. Applications that include a Change of Site for a health care institution, provide a response to General Criterion and Standards (4)(a-c)

RESPONSE: Not applicable.

2. Describe the relationship of this project to the applicant facility’s long-range development plans, if any.

RESPONSE:

As stated in CN1009-044A, LP Nashville II and its affiliate SHC engaged in a detailed market analysis in connection with the project. Please refer to the Applicant’s response to Question 2

LP Nashville II – CN1304-012

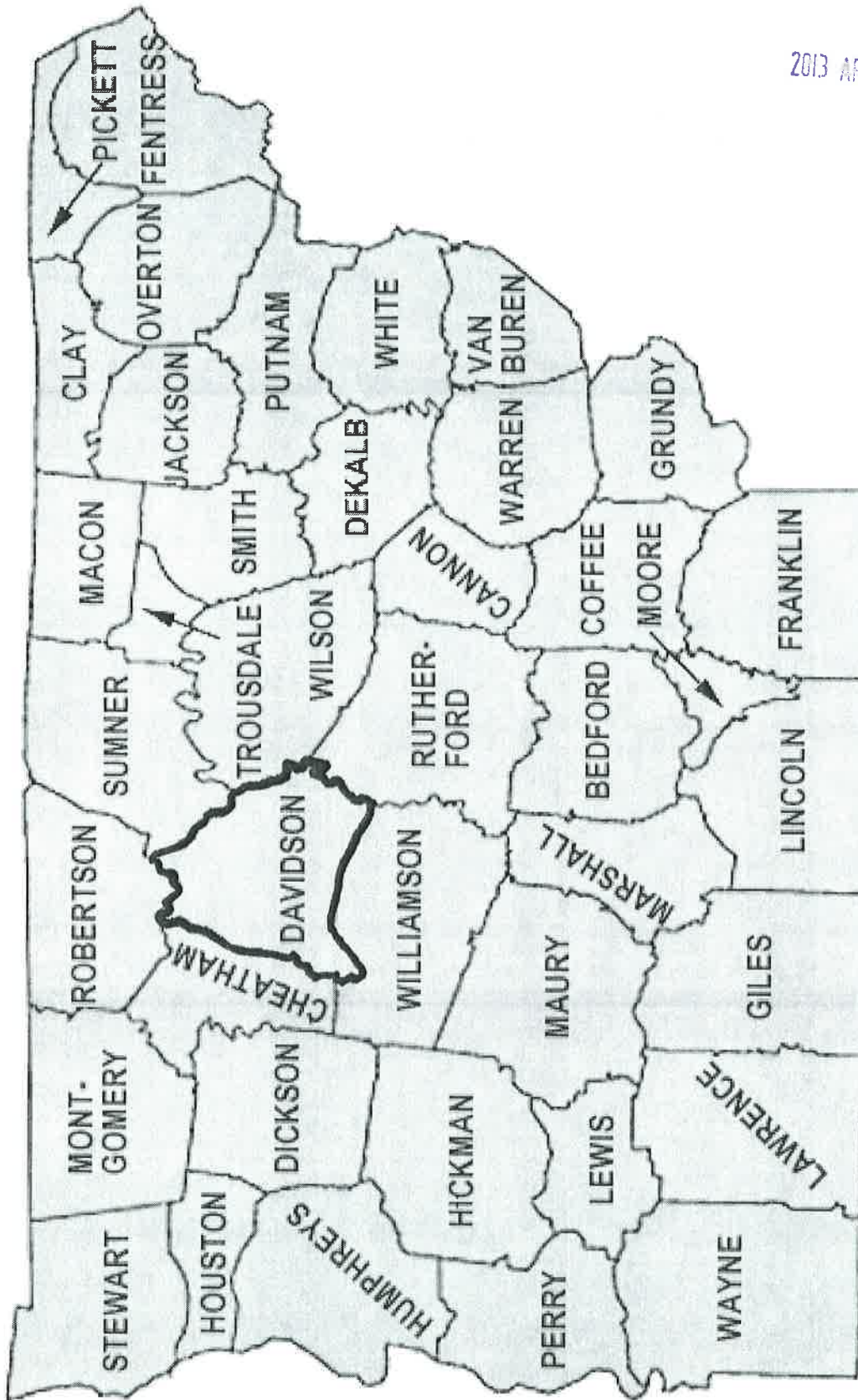
**SUPPLEMENTAL RESPONSE 1 – Section C, Need, Item II: Map
of Service Area**

SUPPLEMENTAL- # 1

April 25, 2013

8:20 am

2013 APR 25 AM 8: 34



LP Nashville II – CN1304-012

**SUPPLEMENTAL RESPONSE 1 – Section C, Economic
Feasibility, Item 1 (Project Cost Chart): Final Project Report for
CN1009-044A, Project Costs Chart, and Documentation of
Construction Costs**



TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY FINAL PROJECT REPORT

Please TYPE or PRINT legibly.

Certificate of Need No **CN1009-044A**Project Name: **LP Nashville II, LLC (SHC of Nashville Rehabilitation & Wellness Center)**Owner: **Health Care Reit**Contact: Description: **119 Bed - Skilled Nursing Facility**

Total Bed Complement Before Addition
Total Bed Complement

0**119**

What was the Final Completion Date (opened for public use)?

01-28-2013

Was the project completed as certified?

☒ YES☐ NO

(If not, describe any changes, deletions, and/or additions on additional sheets.)

COST FACTORS

Original
Cost Projection Final
Project Cost

A. Construction and equipment acquired by purchase:

1. Architectural and Engineering Fees	850,555	472,763
2. Legal, Administrative (Excluding CON Filing Fee), Consultant Fees	175,000	223,876
3. Acquisition of Site	3,545,200	3,563,258
4. Preparation of Site	110,000	1,064,993
5. Construction Costs	5,341,965	9,033,154
6. Contingency Fund	470,006	0
7. Fixed Equipment (Not included in Construction Contract)	1,500,000	429,160
8. Moveable Equipment (List all equipment over \$50,000)	0	647,394
9. Other (Specify) 3rd Parties, Taxes, Permits, HUD	307,741	182,417
Subtotal	12,300,457	15,617,014

B. Acquisition by gift, donation, or lease:

1. Facility (inclusive of building and land)	NA	NA
2. Building only		
3. Land only		
4. Equipment (Specify) 		
5. Other (Specify) 		
Subtotal	NA	NA

C. Financing Costs and Fees:

1. Interim Financing	869,755	1,078,364
2. Underwriting Costs	160,525	256,979
3. Reserve for One Year's Debt Service	0	0
4. Other (Specify) Development Fee	0	378,950
Subtotal	1,030,820	1,714,293

SUPPLEMENTAL- # 1**April 25, 2013
8:20 am**

D. Estimated Project Cost (A+B+C)
 E. CON Filing Fee
 F. Total Estimated Project Cost (D+E)

13,330,747	17,331,307
29,994	38,995
13,360,741	17,370,303

FINAL COST† \$ 17,370,303FINAL FILING FEE† \$ 9,001

If the final project cost is an overrun of the estimated project cost, describe in detail all increases in final costs from those originally projected.

See Attached

The Final Filing Fee to be assessed on any cost overrun is to be computed at the rate current at the time the project was certified. Below is the outline of the rates from January 1994 through the present.

PERIOD	FEE PER \$1,000	PROJECT COST RANGE	FINAL FILING FEE
January 30, 1994 through Present	\$2.25/\$1,000	\$3,000--\$45,000	\$2.25/\$1,000 Total filing fee (initial plus final) not to exceed \$45,000.

I hereby certify that this information is true to the best of my knowledge, information, and belief, and that supplemental written notification will be filed with the Tennessee Health Services and Development Agency in the event of any change in the information given in this report.



~~XXXXXXXXXXXX~~
 VP/General Counsel

April 15, 2013

Date

HF-0055

Revised 1/05 - All forms prior to this date are obsolete.

TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY
FINAL PROJECT REPORT
NASHVILLE II
SHC of Nashville Rehabilitation & Wellness Center

Summary

The Nashville Rehabilitation & Wellness Center was completed in January 2013 and received its first patient on 1/28/13. Overall, the project came in \$4m and three months over budget. Several major change order items were encountered which were not accounted for nor anticipated in the original budget.

The first was the site. The original engineering report showed a balanced site. However, once the excavating portion began, the site revealed a tremendous amount of rock that had to be blasted and removed, with fill materials brought in to stabilize. These site conditions led to unexpected expenses of about \$334k. In addition, the site budget was inadequate to fully fund the demolition of the existing buildings, grading, storm pipes and the finishing site costs which added \$621k.

The second major expense was the conditions surrounding the Perry Building. The Perry Building was the portion of the campus we had planned on keeping while the remainder of the campus was demolished. The as-built drawings provided to us were inaccurate causing the floor plan to not support the total CON. We were also notified later that this assisted living (residential) building would not be allowed to have any portions grandfathered in and this 40 year old building would have to meet and be upgraded to the current day (commercial) codes.

Then, as the Perry Bldg. upgrades were put in place and the building was closely examined, it became apparent it was going to require even more extensive repairs. The roof, roof decking, windows, walls, ceilings, lighting, elevator, generator, parking lot elevation and bathrooms all had to be fixed or replaced. Plus, there were still additional electrical, HVAC and plumbing change orders needed to make it fully operational and pass all the inspections. All this, combined with implementing the previous code upgrades, resulted in timing delays and the need to re-do much of the painting and cosmetics. In retrospect, the Perry building renovation was much costlier, and more time-intensive, than was ever anticipated. Only \$500k was originally set aside for what, ultimately, became a major retro-fitting and repair project, which resulted in a total renovation cost of about \$2.6m (\$91/sq. ft.), and a negative variance of \$2.1m.

Lastly, the New building's construction cost estimates were low in virtually every cost category, because of the numerous field modifications that had to be made to make the original design work. The Steel, Framing, HVAC, Electrical and Sprinkler sub-contracts were all higher than planned. And, the design changes/field modifications (many after the project had begun) also resulted in change orders and delays. The initial budget was a very optimistic \$118/square foot for the new construction. As completed, the new building (including all cost increases and change orders), was \$157/sq. ft. resulting in a \$1.6m negative cost variance (\$1.1m after applying the contingency fund). However, this is still lower than the State of Tennessee's published New Construction Costs for Nursing Homes with approved CON applications for the years 2009 – 2011, which states that the median cost is \$167.31 per Sq. Ft.

Ambulatory Surgical Treatment Center Construction Cost Per Square Foot

Years: 2009 – 2011

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	Renovated Construction	New Construction	Total Construction
1 st Quartile	\$40.09/sq ft	\$200.00/sq ft	\$54.06/sq ft
Median	\$100.47/sq ft	\$252.74/sq ft	\$134.57/sq ft
3 rd Quartile	\$195.00/sq ft	\$371.75/sq ft	\$252.74/sq ft

Source: CON approved applications for years 2009 through 2011

Hospital Construction Cost Per Square Foot

Years: 2009 – 2011

	Renovated Construction	New Construction	Total Construction
1 st Quartile	\$125.84/sq ft	\$235.86/sq ft	\$167.99/sq ft
Median	\$177.60/sq ft	\$274.63/sq ft	\$249.32/sq ft
3 rd Quartile	\$273.69/sq ft	\$324.00/sq ft	\$301.74/sq ft

Source: CON approved applications for years 2009 through 2011

Nursing Home Construction Cost Per Square Foot

Years: 2009 – 2011

	Renovated Construction	New Construction	Total Construction
1 st Quartile	NA	\$158.44/sq ft	\$94.55/sq ft
Median	NA	\$167.31/sq ft	\$165.00/sq ft
3 rd Quartile	NA	\$176.00/sq ft	\$168.25/sq ft

Source: CON approved applications for years 2009 through 2011

Due to insufficient sample size, Renovated Construction is not available.

Outpatient Diagnostic Center Construction Cost Per Square Foot

Years: 2009 – 2011

Due to insufficient sample size, Construction ranges are not available.

TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY
FINAL PROJECT REPORT
 NASHVILLE II

Cost Increase Detail

SHC of Nashville Rehabilitation & Wellness Center

<u>COST FACTORS</u>	<u>ORIGINAL COST PROJECTION</u>	<u>FINAL PROJECT COST</u>	<u>COST INCREASE (DECREASE)</u>
SUMMARY			
A1 Architectural & Engineering Fees	850,555	472,763	(377,792)
A2 Legal, Administrative, & Consultant Fees	175,000	223,876	48,876
A3 Acquisition of site	3,545,200	3,563,258	18,058
A4 Preparation of Site	110,000	1,064,993	954,993
A5a Construction Costs (New Building)	4,841,965	6,453,275	1,611,310
A5b Construction Costs (Perry Building - Renovation)	500,000	2,579,879	2,079,879
A6 Contingency (All applied to New Building)	470,006	-	(470,006)
A7 Fixed Equipment	1,500,000	429,160	(1,070,840)
A8 Moveable Equipment	-	647,394	647,394
A9 Other (3rd Parties, Taxes, Permits, HUD)	307,741	182,417	(125,324)
C1 Interim Financing (Interest)	869,755	1,078,364	208,609
C2 Underwriting Costs	160,525	256,979	96,454
C4 Other DEVELOPMENT FEE	-	378,950	378,950
E CON Filing Fee	29,994	38,995	9,001
Total Project Cost	13,360,741	17,370,303	4,009,562

DETAIL - Description for all Increases in final costs

A2 Legal, Administrative, & Consultant Fees			
a) Legal Fees	86,000	66,001	(19,999)
b) Consultant Fee - Dubois Construction	52,500	157,875	105,375
c) Other Administrative Costs	36,500	-	(36,500)
	175,000	223,876	48,876
A3 Acquisition of site			
a) Land & CON Purchase Costs (2 acquisitions)	3,545,200	3,545,200	-
b) Additional closing costs	-	18,058	18,058
	3,545,200	3,563,258	18,058
A4 Preparation of Site			
Normal Site Costs			
a) Demolition-Existing Buildings	-	134,097	134,097
b) Excavating, Grading & Storm pipes	110,000	304,734	194,734
c) Site Finish (Paving, sidewalks, landscaping)	-	292,142	292,142
	110,000	730,973	620,973
Hitting Rock/Unbalanced Site			
d) Demolition-Blast Rock under site	-	98,345	98,345
e) Trucking Services (rock out & gravel in)	-	93,552	93,552
f) Equipment Rental	-	45,642	45,642
g) Materials Costs (gravel in)	-	96,481	96,481
	110,000	334,020	334,020
	110,000	1,064,993	954,993

TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY

FINAL PROJECT REPORT

NASHVILLE II

Cost Increase Detail

SHC of Nashville Rehabilitation & Wellness Center

<u>COST FACTORS</u>	<u>ORIGINAL COST PROJECTION</u>	<u>FINAL PROJECT COST</u>	<u>COST INCREASE (DECREASE)</u>
A5a Construction Costs (New Building)			
a) Project Mgmt/General Conditions	456,643	617,626	160,983
b) Shell (Foundation, Steel, Framing, roof, EIFS, brick)	1,480,727	1,682,300	201,573
c) Interior	1,053,995	1,210,379	156,384
d) Electrical, Lighting, Commun., Elevator, fire alarm	951,800	1,310,407	358,607
e) Plumbing	450,500	465,012	14,512
f) HVAC	225,000	728,600	503,600
g) Sprinklers	150,000	330,648	180,648
h) Utilities & Other	73,500	108,303	34,803
	4,841,965	6,453,275	1,611,310
A5b Construction Costs (Existing Building - Renovation)			
a) Parking Lot - Raise elevation	-	40,689	40,689
b) Steel - staircase	-	28,850	28,850
c) Roofs (Roof decking, roof repairs, new roofs, EIFS)	-	254,056	254,056
d) Interior-init'l (flooring, bath tiles, handrails, paint)	500,000	644,376	144,376
e) Interior-reno issues (bed count, re-engineer, plumbing)	-	151,000	151,000
f) Interior-repairs (ceiling, walls, faucets, windows, repaint)	-	467,578	467,578
g) Electrical & Lighting	-	317,489	317,489
h) Commun. & Oth Elect (generator, elev, phone, alarm)	-	159,927	159,927
i) Plumbing	-	35,000	35,000
j) HVAC	-	382,979	382,979
k) Utilities, equip. rental & other	-	97,935	97,935
Subtotal	500,000	2,579,879	2,079,879
A8 Moveable Equipment			
a) Furniture - Electric Beds & Rails	-	106,505	106,505
b) Furniture - Hydration Units w/ sinks	-	114,070	114,070
c) Furniture - Other (totaling < \$50,000 each)	-	260,651	260,651
d) Equipment - Therapy	-	127,954	127,954
e) Equipment - Other (totaling < \$50,000 each)	-	38,214	38,214
	-	647,394	647,394
C1 Interim Financing (Interest)			
a) Interest thru scheduled completion date - 10/31/12	869,755	728,983	(140,772)
b) Additional Interest - 3 months (thru 1/31/13)	-	349,381	349,381
	869,755	1,078,364	208,609

TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY

FINAL PROJECT REPORT

NASHVILLE II

Cost Increase Detail

SHC of Nashville Rehabilitation & Wellness Center

COST FACTORS

	ORIGINAL COST PROJECTION	FINAL PROJECT COST	COST INCREASE (DECREASE)
--	-----------------------------	-----------------------	-----------------------------

C2 Underwriting Costs

a) Loan Transaction Fees (1%)	160,525	153,000	(7,525)
b) Lender Site Inspection Costs	-	32,339	32,339
c) Reporting, Title and Other Loan Costs	-	71,640	71,640
	160,525	256,979	96,454

**C4 Other: Project Development Fee
Fees to Signature HealthCare**

	-	378,950	378,950
	-	378,950	378,950

PROJECT COSTS CHART

SUPPLEMENTAL- # 1

April 25, 2013

8:20 am

A. Construction and equipment acquired by purchase:

1. Architectural and Engineering Fees	\$472,768
2. Legal, Administrative (Excluding CON Filing Fee), Consultant Fees	\$223,876
3. Acquisition of Site	\$3,563,258
4. Preparation of Site	\$1,064,993
5. Construction Costs	\$9,033,154
6. Contingency Fund	\$0
7. Fixed Equipment (Not included in Construction Contract)	\$429,160
8. Moveable Equipment (List all equipment over \$50,000)	\$647,394
9. Other (Specify) 3rd parties, taxes, permits, HUD	\$182,417

B. Acquisition by gift, donation, or lease:

1. Facility (inclusive of building and land)	N/A
2. Building only	
3. Land only	
4. Equipment (Specify)	
5. Other (Specify)	N/A

C. Financing Costs and Fees:

1. Interim Financing	\$1,078,364
2. Underwriting Costs	\$256,979
3. Reserve for One Year's Debt Service	\$0
4. Other (Specify) Development Fee	\$378,950

D. Estimated Project Cost (A+B+C)

\$17,331,307

E. CON Filing Fee

\$38,995

F. Total Estimated Project Cost (D+E)

\$17,370,303

TOTAL \$17,370,303**

**Please note that the final project cost was \$17,370,303. Because the original cost projection was \$13,360,741, the resultant cost overrun of the completed project (CN1009-044A) was \$4,009,052.

April 25, 2013

8:20 am



SHC CONSTRUCTION SERVICES, LLC

12201 Bluegrass Parkway

Louisville, KY 40299

Ph: 502.568.7800 Fx: 502.568.7160

mbushey@signaturehealthcarellc.com

April 23, 2013

Melanie Hill, Director
Tennessee Health Services & Development Agency
161 Rosa L. Parks Boulevard
Nashville, Tennessee 37243

Dear Ms. Hill:

I am writing on behalf of SHC Construction Services, LLC ("Contractor") with respect to CN1009-044A, which was approved for the combined replacement of the Lakeshore-Wedgewood and River Park nursing homes with an estimated project cost of \$13,360,741.00 (the "Project"). The Contractor served as the general contractor in connection with the Project and has reviewed the estimated project costs and the actual costs of the Project as now completed. The Contractor is hereby confirming that the actual construction costs for the Project is \$17,370,303.00 and that the additional excess costs are \$4,009,562.00 and is asserting that these costs are reasonable based on the facts and circumstances of the Project.

Please do not hesitate to contact me directly at (502) 568-7800 if you have any questions.

Very truly yours,

A handwritten signature in dark ink, appearing to be "MB", written over a horizontal line.

Mike Bushey
General Contractor (TN GC# 00062100)
SHC Construction Services, LLC

LP Nashville II – CN1304-012

**SUPPLEMENTAL RESPONSE 1 – Section C, Economic
Feasibility, Item 1: Cost Per Square Footage Comparison Chart**

Cost Per Square Foot Comparison to Recently-Approved Projects

Project	Action	Date	Description	Cost/SF	County	No.
LP Nashville II (Applicant)	Approved	12/15/2010	Replacement 119 bed nursing home at 832 Wedgewood Ave., Nash. 37203 combined replacement of 61 beds Lakeshore (832 Wedgewood) and relocation of 58 bed River Park Health Care from 1306 Katie Ave, Nash 37207, Nashville 37221.	\$124.00	Davidson	CN1009-044A
Chattanooga Medical Investors Limited Partnership d/b/a Life Care Center of Ooltewah	Approved	7/27/2011	The relocation and replacement of a nursing home from 455 North Highland Park Ave., Chattanooga 37404 to yet assigned address located on the northeast corner of Mountain View Road and Snow Hill Road, Ooltewah 37363. The licensed beds will decrease from 153 to 120.	\$165.00	Hamilton	CN1103-009
Highland Park Medical Investors, LLC dba Life Care Center of Stones River	Approved	9/23/2009	Relocation of previously approved CN0706047A and replacement nursing home containing 124 beds from 5710 Knob Rd. to unaddressed site on Murfreesboro Rd., Antioch. Numer of licensed beds will not change.	\$172.00	Davidson	CN0203-021
Nashville Medical Investors, LLC d/b/a Life Care Center of Old Hickory	Approved	9/23/2009	Relocation and replacement of 159 bed nursing home (Life Care Center of Nashville) previously located at 701 Porter Road, Nashville (37206) to 1250 Robinson Road, Old Hickory (37138). Licensed beds will not change and will be certified for Medicare/Medicaid.	\$168.00	Davidson	CN0906-030
Life Care Center of Missionary Ridge	Approved	9/24/2008	The replacement and relocation of a 78-bed nursing home from 708 Dwight Avenue to 5501 Old Hixson Pike, Chattanooga. The addition of 30 beds, increasing the beds from 78 to 108. De-certify 30 beds from Life Care Center of East Ridge.	\$176.00	Hamilton	CN0806-038A
Lakeshore Estates, Inc. d/b/a The Meadows	Approved	11/14/2007	The replacement and relocation of 61 nursing home beds from Lakeshore Wedgewood at 832 Wedgewood Avenue to 8044 Coley Davis Road, Nashville.	\$150.00	Davidson	CN0708-052
NHC Place at Hendersonville	Approved	5/23/2007	The replacement and relocation of the existing thirty-two (32) licensed bed Hendersonville Nursing and the addition of thirty (30) new Medicare certified nursing home beds for a total of sixty-two (62) nursing home beds.	\$145.00	Sumner	CN0709-014A

SUPPLEMENTAL- # 1

April 25, 2013

8:20 am

Source: Tennessee Health Services Development Agency Website, Accessed 4/24/2013; HSDA Staff Summary of Chattanooga Medical Investors Limited Partnership d/b/a Life Care Center of Ooltewah (CN1103-009).

LP Nashville II – CN1304-012

**SUPPLEMENTAL RESPONSE 1 – Section C, Economic
Feasibility, Item 4 (Projected Data Chart): Projected Data Chart
Listing Management Fees**

PROJECTED DATA CHART

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in February (Month).

	2/1/13 to 1/31/14	2/1/14 to 1/31/15
A. Utilization Data (Specify unit of measure)	Patient Days	Patient Days
B. Revenue from Services to Patients		
1. Inpatient Services	\$4,118,295	\$10,752,576
2. Outpatient Services	129,249	376,624
3. Emergency Services	-	-
4. Other Operating Revenue (Specify) _____	6,997	32,862
Gross Operating Revenue	\$4,254,541	\$11,162,062
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	-	-
2. Provision for Charity Care	-	-
3. Provisions for Bad Debt	(63,337)	(440,634)
Total Deductions	(\$63,337)	(\$440,634)
NET OPERATING REVENUE	\$4,191,203	\$10,721,428
D. Operating Expenses		
1. Salaries and Wages	\$2,296,788	\$4,838,847
2. Physician's Salaries and Wages	-	-
3. Supplies	220,510	853,651
4. Taxes	28,968	28,968
5. Depreciation	-	-
6. Rent	1,484,974	1,530,000
7. Interest, other than Capital	54,045	54,045
8. Management Fees:		

SUPPLEMENTAL- # 1**April 25, 2013****8:20 am**

a. Fees to Affiliates	212,727	524,617
b. Fees to Non-Affiliates	-	-
9. Other Expenses – (Specify) <u>General and Administrative Services Purchased from Affiliates</u>	633,749	1,780,960
Total Operating Expenses	\$4,931,761	\$9,611,088
E. Other Revenue (Expenses) -- Net (Specify) _____	-	-
NET OPERATING INCOME (LOSS)	(\$740,558)	\$1,110,340
F. Capital Expenditures		
1. Retirement of Principal	-	-
2. Interest	-	-
Total Capital Expenditures	-	-
NET OPERATING INCOME (LOSS)		
LESS CAPITAL EXPENDITURES	<u>(\$740,558)</u>	<u>\$1,110,340</u>

LP Nashville II – CN1304-012

**SUPPLEMENTAL RESPONSE 1 – Section C, Economic
Feasibility, Item 5: Average Gross Charge, Average Deduction from
Operating Revenue and Average Net Charge**

LP Nashville II – CN1304-012

SUPPLEMENTAL RESPONSE 1 – Project Completion Forecast
Chart

PROJECT COMPLETION FORECAST CHART

**April 25, 2013
8:20 am**

Enter the Agency projected Initial Decision date, as published in T.C.A. § 68-11-1609(c): **12/15/2010**

Assuming the CON approval becomes the final agency action on that date; indicate the number of days from the above agency decision date to each phase of the completion forecast.

<u>Phase</u>	<u>DAYS REQUIRED</u>	<u>Anticipated Date (MONTH/YEAR)</u>
1. <u>Architectural and engineering contract signed</u>	<input type="text"/>	<input type="text"/>
2. <u>Construction documents approved by the Tennessee Department of Health</u>	<input type="text"/>	<input type="text"/>
3. <u>Construction contract signed</u>	<input type="text"/>	<input type="text"/>
4. <u>Building permit secured</u>	<input type="text"/>	<input type="text"/>
5. <u>Site preparation completed</u>	<input type="text"/>	<input type="text"/>
6. <u>Building construction commenced</u>	<input type="text"/>	<input type="text"/>
7. <u>Construction 40% complete</u>	<input type="text"/>	<input type="text"/>
8. <u>Construction 80% complete</u>	<input type="text"/>	<input type="text"/>
9. <u>Construction 100% complete (approved for occupancy)</u>	<input type="text"/>	<input type="text"/>
10. <u>*Issuance of license</u>	<input type="text"/>	01/17/2013
11. <u>*Initiation of service</u>	<input type="text"/>	01/28/2013
12. <u>Final Architectural Certification of Payment</u>	<input type="text"/>	<input type="text"/>
13. <u>Final Project Report Form (HF0055)</u>	<input type="text"/>	04/18/2013

* For projects that do NOT involve construction or renovation: Please complete items 10 and 11 only.

Note: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date.

LP Nashville II – CN1304-012

SUPPLEMENTAL RESPONSE 1 – Proof of Publication

APR. 23. 2013 1:31PM

0101642090

Affidavit of Publications

NO. 134

P. 1

SUPPLEMENTAL- # 1

**April 25, 2013
8:20 am**

Newspaper: THE TENNESSEAN

2013 APR 25 AM 8:31

TEAR SHEET
ATTACHED

State Of Tennessee

Account Number: 506089

Advertiser: BRADLEY ARANT/BOULT CUMMINGS

RE: NOTIFICATION OF INTENT TO APPLY FOR A CE

I, Holly Penny Sales Assistant for the

above mentioned newspaper, hereby certify that the attached
advertisement appeared in said newspaper on the following dates:

4/10/2013

Holly Penny

2013

Subscribed and sworn to me this 23 day of April,

Lela Bates

NOTARY PUBLIC



COPY-

SUPPLEMENTAL-2

LP Nashville/ Signature Healthcare
CN1304-012

April 30, 2013

VIA hand delivery

Mr. Phillip M. Earhart
Health Services Development Examiner
Tennessee Health Services & Development Agency
161 Rosa Parks Boulevard
Nashville, Tennessee 37203

Re: LP Nashville II, LLC (CN1304-012) – Second Supplemental Response

Dear Phillip:

Please allow this letter to serve as a response to your letter of April 26, 2013, requesting supplemental information for the above-listed certificate of need application. This letter and the corresponding attachments have been reviewed by an officer of the Applicant, and an appropriate affidavit is attached. As noted in the letter which accompanied the original CON application for CN1304-012, we respectfully request that you place this application on the consent agenda.

1. Section B, Project Description, Item II.A.

The Square Footage and Cost per Square Footage Chart and a description of facility design is noted. However, please provide a revised Square Footage and Cost per Square Footage Chart that includes the cost over-run of \$4,019,023. A sample Square Footage and Cost per Square Footage Chart is included.

RESPONSE: Please find a revised Square Footage and Cost per Square Footage Chart attached at Supplemental Response 2 – Section B, Project Description, Item II.A.

2. Section C, Need, Item II

The county level map for Middle Tennessee is noted. However, please submit a State of Tennessee county level map that clearly reflects the service area. **Please submit the map on 8 1/2" x 11" sheet of white paper marked only with ink detectable by a standard photocopier (i.e., no highlighters, pencils, etc.).** A sample Tennessee county level map is included.

RESPONSE: Please find a State of Tennessee county level map that reflects the Applicant's service area attached at Supplemental Response 2 – Section C, Need, Item II.

Health Services and Development Agency
April 30, 2013
Page 2

3. Section C. Economic Feasibility Item 1 (Project Cost Chart)

Please provide a Project Costs Chart for the \$4,009,562 Project Cost Overrun.
Please complete the attached Project Cost Chart.

RESPONSE: Please find a Project Costs Chart for the cost overrun attached at Supplemental Response 2 – Section C, Economic Feasibility, Item 1.

4. Section C, Economic Feasibility, Item 4 (Projected Data Chart)

The Projected Data Chart with management fees is noted. On line A please provide the projected number of patient days for each of the first two years of operation. A sample Projected Data Chart is provided.

RESPONSE: Please find a revised Projected Data Chart with the projected number of patient days attached at Supplemental Response 2 – Section C, Economic Feasibility, Item 4.

5. Proof of Publication

The publication affidavit from the newspaper as proof of the publication of the letter of intent is noted. Please also provide a copy of the newspaper publication that the Affidavit is verifying.

RESPONSE: Please find attached a copy of the newspaper publication and the publication affidavit from the newspaper proving publication of the letter of intent attached at Supplemental Response 2 – Proof of Publication.

If you have any questions or need anything further, please do not hesitate to contact me.

Very truly yours,

BRADLEY ARANT BOULT CUMMINGS LLP

Michael D. Brent



MDB

LP Nashville II – CN1304-012

Affidavit

April 30, 2013

9:20 am

AFFIDAVITSTATE OF Kentucky
COUNTY OF Jefferson

2013 APR 30 AM 9:23

NAME OF FACILITY: LP Nashville II, LLC

I, Sandra Adams, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

Sandra Adams, V.P./General Counsel
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the ____ day of ____, 20__,
witness my hand at office in the County of Jefferson, State of Tennessee.

Commonwealth of
Kentucky

Rafael Ramos
NOTARY PUBLIC

My commission expires August 23, 2014.

HF-0043

Revised 7/02



LP Nashville II – CN1304-012

SUPPLEMENTAL RESPONSE 2 – Section B, Project Description,
Item II.A.: Square Footage and Cost per Square Footage Chart

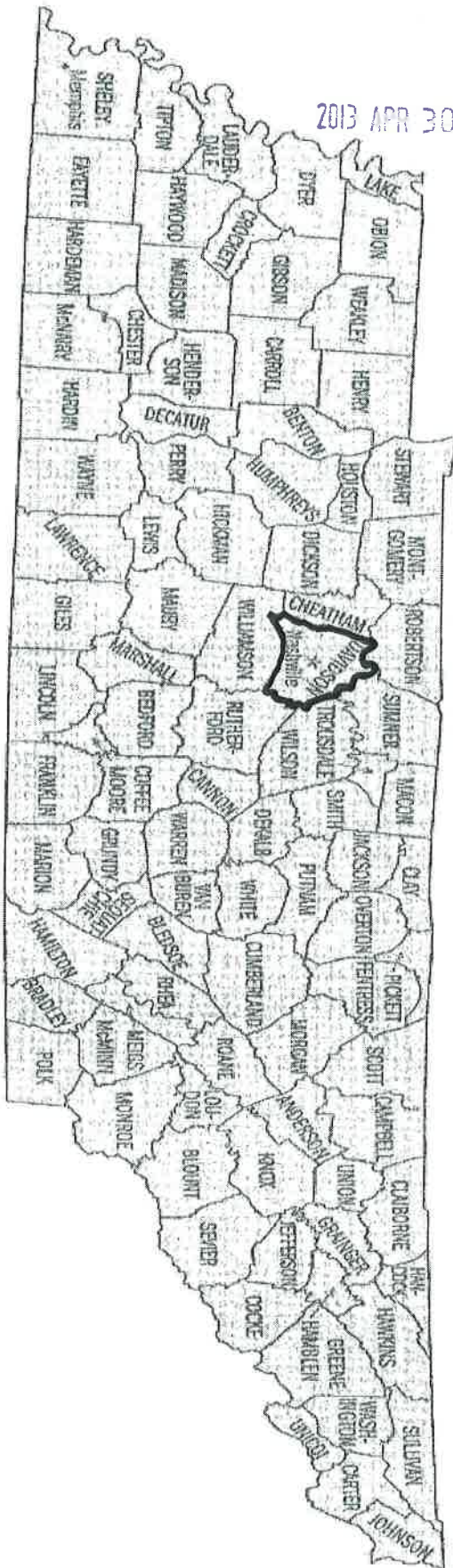
SQUARE FOOTAGE AND COST PER SQUARE FOOTAGE CHART

A. Unit / Department	Existing Location	Existing SF	Temporary Location	Proposed Final Location	Proposed Final Square Footage			Proposed Final Cost/ SF		
					Renovated	New	Total	Renovated	New	Total
B. Unit/Depart. GSF Sub-Total										
C. Mechanical/Electrical GSF										
D. Circulation /Structure GSF										
E. Total GSF		28,738			28,738	44,205	72,943	\$6,842,162	\$10,528,141	\$17,370,303

LP Nashville II – CN1304-012

SUPPLEMENTAL RESPONSE 2 – Section C, Need, Item II:
County Level Map of Tennessee with Service Area Outlined

County Level Map Showing Proposed Service Area
(Davidson County)



2013 APR 30 AM 9:23

LP Nashville II – CN1304-012

**SUPPLEMENTAL RESPONSE 2 – Section C, Economic
Feasibility, Item 1: Project Costs Chart**

PROJECT COSTS CHART

SUPPLEMENTAL- # 2

April 30, 2013

9:20 am

A. Construction and equipment acquired by purchase:

1. Architectural and Engineering Fees	(\$377,792)
2. Legal, Administrative (Excluding CON Filing Fee), Consultant Fees	\$48,876
3. Acquisition of Site	\$18,058
4. Preparation of Site	\$954,993
5. Construction Costs	\$3,691,189
6. Contingency Fund	(\$470,006)
7. Fixed Equipment (Not included in Construction Contract)	(\$1,070,840)
8. Moveable Equipment (List all equipment over \$50,000)	\$647,394
9. Other (Specify) 3rd parties, taxes, permits, HUD	(\$125,324)

B. Acquisition by gift, donation, or lease:

1. Facility (inclusive of building and land)	N/A
2. Building only	
3. Land only	
4. Equipment (Specify)	
5. Other (Specify)	N/A

C. Financing Costs and Fees:

1. Interim Financing	\$208,609
2. Underwriting Costs	\$96,454
3. Reserve for One Year's Debt Service	
4. Other (Specify) Development Fee	\$378,950

**D. Estimated Project Cost
(A+B+C)**

\$4,000,561

E. CON Filing Fee

\$9,001

**F. Total Estimated Project Cost
(D+E)**

\$4,009,562

TOTAL \$4,009,562

LP Nashville II – CN1304-012

**SUPPLEMENTAL RESPONSE 2 – Section C, Economic
Feasibility, Item 4: Revised Projected Data Chart**

PROJECTED DATA CHART

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in February (Month).

	<u>2/1/13 to</u> <u>1/31/14</u>	<u>2/1/14 to</u> <u>1/31/15</u>
A. Utilization Data (Specify unit of measure)	14,152 Patient Days	31,905 Patient Days
B. Revenue from Services to Patients		
1. Inpatient Services	\$4,118,295	\$10,752,576
2. Outpatient Services	129,249	376,624
3. Emergency Services	-	-
4. Other Operating Revenue (Specify) _____	6,997	32,862
Gross Operating Revenue	\$4,254,541	\$11,162,062
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	-	-
2. Provision for Charity Care	-	-
3. Provisions for Bad Debt	(63,337)	(440,634)
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4. Taxes	28,968	28,968
5. Depreciation	-	-
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7. Interest, other than Capital	54,045	54,045

SUPPLEMENTAL- # 2**April 30, 2013****9:20 am**

8. Management Fees:		
a. Fees to Affiliates	212,727	524,617
b. Fees to Non-Affiliates	-	-
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Total Operating Expenses	\$4,931,761	\$9,611,088
E. Other Revenue (Expenses) -- Net (Specify) _____	-	-
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1. Retirement of Principal	-	-
2. Interest	-	-
Total Capital Expenditures	-	-
NET OPERATING INCOME (LOSS)		
LESS CAPITAL EXPENDITURES	<u>(\$740,558)</u>	<u>\$1,110,340</u>

LP Nashville II – CN1304-012

SUPPLEMENTAL RESPONSE 2 – Proof of Publication: Copy of
Newspaper Publication of Letter of Intent

APR. 23. 2013 1:31PM
0101642090

Affidavit of Publications

NO. 134 P. 1
SUPPLEMENTAL- # 2
April 30, 2013
9:20 am

Newspaper: THE TENNESSEAN

2013 APR 30 AM 9:22

State Of Tennessee

TEAR SHEET
ATTACHED

Account Number: 506089

Advertiser: BRADLEY ARANT/BOULT CUMMINGS

RE: NOTIFICATION OF INTENT TO APPLY FOR A CE

1. Holly Penny Sales Assistant for the

above mentioned newspaper, hereby certify that the attached
advertisement appeared in said newspaper on the following dates:

4/10/2013

Holly Penny

2013

Subscribed and sworn to me this 23 day of April

Sela Bates

NOTARY PUBLIC



